Deloitte.

Royal Exchange Plc

(RC: 6752)

Annual Report and Consolidated Financial Statements
31 December 2020

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CORPORATE INFORMATION

Directors:

Chairman	Kenneth Ezenwani Odogwu
Non-Executive Directors:	Chief Anthony Ikemefuna Idigbe (SAN) Alhaji Ahmed Rufai Mohammed Mr. Adeyinka Ojora
Independent Director	Mr. Hewett Benson
Group Company Secretary	Mazars Nigeria
Registered Office	31, Marina, Lagos
Auditors	Deloitte & Touche
Bankers:	Access Bank Plc Ecobank Nigeria Limited FCMB Plc First Bank of Nigeria Limited FSDH Merchant Bank Limited Guaranty Trust Bank Plc Heritage Bank Limited Keystone Bank Limited Royal Exchange Microfinance Bank Limited Polaris Bank Limited Stanbic IBTC Bank Plc Sterling Bank Plc SunTrust Bank Limited United Bank for Africa Plc Union Bank of Nigeria Plc Wema Bank Plc Zenith Bank Plc
Registrars	Cardinal Stone Registrars Limited, 358, Herbert Macauley Street, Yaba, Lagos.
RC No -	6752
Actuary	Ernst & Young FRC /NAS/00000000738

Directors' Report

The directors are pleased to submit to the members of the Group and Company, their fifty-second annual report, together with the audited financial statements for the year ended 31 December 2020.

1 LEGAL FORM AND PRINCIPAL ACTIVITIES

The Company was incorporated as a private limited liability Company on 29 December 1969, converted to a public limited liability Company on July 15, 1989 and was listed on the Nigerian Stock Exchange on 3 December, 1990. The principal activities of the Company include life, healthcare and general insurance, financing, asset management, trusteeship and micro finance banking services.

2 RESULTS FOR THE YEAR:

The highlights of the Company's trading result for the year ended 31 December, 2020

	Group	Group	Company	Company
In thousands of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Profit/(Loss) before taxation	130,040	(1,013,011)	(149,524)	(415,655)
Minimum tax	(1,595)	(9,278)	(419)	(7,137)
Income taxes	(205,561)	(290,527)	-	-
(Loss)/Profit after taxation	(77,116)	(1,312,816)	(149,943)	(422,792)
Other comprehensive income/(loss), net of tax	185,736	179,347	92	(759)
Total comprehensive income/(loss) for the year	108,620	(1,133,469)	(149,851)	(423,551)
Total assets	32,373,917	32,107,005	8,977,030	9,195,662
Shareholders fund/Total equity	3,662,432	3,983,416	4,317,156	4,467,007

3 DIVIDEND

The company did not recommend any dividend on ordinary shares to its members for the year ended 31 December 2020: nil (2019: nil)

4 DIRECTORS' INTEREST AND SHAREHOLDING

A board of 6 directors determined the general strategy and policy of the Group in the year under review.

4.1 The names of directors who served during the year were:

Mr. K. E. Odogwu	Chairman
Chief A. I. Idigbe (SAN)	Non-executive Director
Alhaji A. R. Mohammed	Non-executive Director
Mr. A. A. Ojora	Non-executive Director
Mr. Hewett Benson	Independent Director
Mr Olawale Banmore	Group Managing Director

Directors' Report

4.2 The directors' interests in the issued share capital of the Company as recorded in the Register of Members and in the Register of Directors' Holdings and Contracts, as notified by them for the purposes of Section 276 and 277 of The Listing Requirements of the Nigerian Stock Exchange, are as follows:

	No. of 50k Ordinary Shares Held as at 31 December 2020 (Direct)		**No. of 50k Ordinary Shares Held as at 31 December 2020 - (Indirect)**			**No. of 50k Ordinary Shares Held as at 31 December 2019 (Direct)**	**No. of 50k Ordinary Shares Held as at 31 December 2019**
Names	**Number Direct**	**% Holding**	**Names**	**Number Indirect**	**% Holding**	**Number Direct**	**Number Indirect**
Mr. Kenneth E. Odogwu	Nil	Nil	Spennymoor Ltd	2,013,119,834	39.125	Nil	2,013,119,834
Chief Anthony I. Idigbe (SAN)	Nil	Nil	Punuka Investment Ltd	1,350,276	0.026	Nil	1,350,276
Alhaji Ahmed R. Mohammed	Nil	Nil	-	Nil	Nil	Nil	Nil
Mr. Adeyinka A. Ojora	100,000	0.002	Phoenix Holdings Ltd	183,529,858	3.567	100,000	183,529,858
Mr. Hewett Benson	Nil	Nil	-	Nil	Nil	Nil	Nil
Grand Total	**100,000**	**0.002**		**2,197,999,968**	**42.718**	**100,000**	**2,197,999,968**

4.3 RESIGNATIONS
Mr. Wale Banmore resigned his appointment as Group Managing Director with effect from 31st December 2020

4.4 ROTATION OF DIRECTORS
In accordance with the articles of association, Alhaji A. R. Mohammed and Mr. A. Ojora are the directors retiring by rotation. Alhaji A. R. Mohammed and Mr. A. Ojora being eligible offer themselves for re-election.

4.5 RE-APPOINTMENT AND ROTATION
In accordance with the articles of association, Alhaji A. R. Mohammed and Mr. A. Ojora are the directors retiring by rotation. Both directors being eligible offer themselves for re-election.

Directors' Report

5 SHARE CAPITAL AND SHAREHOLDING:

The Company did not purchase its own shares during the year.

5.1 Authorized Share Capital:
The authorized share capital of the Company is N5billion made up of 10,000,000,000 ordinary shares of 50k each.

5.2 Called Up, Issued and Fully Paid Share Capital:

5.2.1 The issued and paid-up share capital of the Company is currently N2,572,685,037 made up of 5,145,370,074 ordinary shares of 50k each.

	No. of 50k Ordinary Shares Held as at 31 December 2020	**% Holding as at 31 December 2020**	**No. of 50k Ordinary Shares Held as at 31 December 2019**	**% Holding as at 31 December 2019**
Spennymoor Limited, Jersey C.I	2,013,119,834	39.12	2,013,119,834	39.12
Royal Exchange Assurance (U.K)	3,776	0.00	3,776	0.00
Nigerian Government	20,608,447	0.40	20,654,487	0.40
Dantata Investments & Securities Company Limited	921,833,885	17.92	921,833,885	17.92
Chief (Dr.) S. I. Odogwu, OFR	266,870,509	5.19	266,870,509	5.19
Helen and Troy Holdings Limited	261,058,784	5.07	261,058,784	5.07
Phoenix Holdings Limited	183,529,858	3.57	183,529,858	3.57
Decanon Investment Limited*	159,388,632	3.10	159,388,632	3.10
(Under Litigation - Suit No FHC/L/CS/5479/08)				
Other Nigerian Citizens & Associations	1,318,956,349	25.63	1,318,910,309	25.63
Grand Total	**5,145,370,074**	**100**	**5,145,370,074**	**100**

The Company hereby declares that aside from the persons listed above, no other person(s) has 5% or more of the issued and fully paid share capital of the company.

* This represents ordinary shares held in trust by De-canon Investment Limited with respect to a law suit number FHC/L/CS/5479/08

Directors' Report

5.3 Share Range Analysis as at 31 December, 2020

			No. of	% of	Units	% of
			Holders	**Total Holders**	**Held**	**Units Held**
1	-	500	1187	7.68	277,199	0.01
501	-	1,000	823	5.33	634,933	0.01
1,001	-	5,000	5173	33.48	14,405,632	0.28
5,001	-	10,000	2790	18.05	19,465,514	0.38
10,001	-	50,000	3606	23.34	79,510,137	1.55
50,001	-	100,000	780	5.05	56,957,450	1.11
100,001	-	500,000	788	5.10	167,157,938	3.25
500,001	-	1,000,000	123	0.80	86,414,564	1.68
1,000,001	-	5,000,000	132	0.85	274,127,828	5.33
5,000,001	-	10,000,000	27	0.17	178,551,589	3.47
10,000,001	-	5,145,370,074	24	0.16	4,267,867,290	82.95
Grand Total			**15453**	**100**	**5,145,370,074**	**100**

5.4 Share Range Analysis as at 31 December, 2019

			No. of	% of	Units	% of
			Holders	**Total Holders**	**Held**	**Units Held**
1	-	500	1187	7.68	277,199	0.01
501	-	1,000	823	5.33	634,933	0.01
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5,000,001	-	10,000,000	27	0.17	178,551,589	3.47
10,000,001	-	5,145,370,074	24	0.16	4,267,867,290	82.95
Grand Total			**15453**	**100**	**5,145,370,074**	**100**

6 RECORDS OF DIRECTORS ATTENDANCE

Further to the provisions of Section 284 (2) of the Companies and Allied Matters Acts, 2020, the Record of Directors' Attendance at the Board Meetings held in 2020 is available at the venue of annual general meeting and is contained in the Report on Corporate Governance.

7 PROPERTY AND EQUIPMENT

Information relating to property and equipment during the year is shown in note 17.

8 DONATIONS

The Group through her Non-life and Life Insurance Subsidiaries donated N2,000,000.00 to National Insurance Commission (NAICOM) as COVID 19 support (2019: Nil)

Directors' Report

9 EVENTS AFTER REPORTING DATE

This have been disclosed in Note 59.

10 AGENTS, BROKERS AND INTERMEDIARIES

The group maintains a network of licensed agents, brokers as well as other intermediaries throughout the country.

11 TRUSTEESHIP SERVICES

Royal Exchange Plc (the Company) acts as a custodian, trustee or in other fiduciary capacity for its clients.

The Company acts as a custodian of unclaimed debentures issued by various third party entities which have matured but have not been claimed by beneficiaries. These assets are held and managed by the Hold Co in order to preserve their value. (See note 60 for more details).

The Company also acts as a trustee to ARM Ethical Fund and Paramount Equity Fund. These funds are managed by independent Fund Managers and the assets are held by appointed custodians. The Company has oversight responsibilities which include, monitoring the activities of the fund manager and fund custodian, ensuring that the funds are administered in line with the applicable Trust Deed of the fund and all relevant regulatory guidelines governing the fund, ensuring that relevant regulations are adhered to and ensuring that the interests of the unit holders in the funds are protected at all time.

12 EMPLOYEES' DEVELOPMENT

12.1 Employment of physically challenged persons
It is the policy of the Group that there shall be no discrimination in the consideration of all applications for employment, including physically challenged persons.

All employees whether physically challenged or not, are given equal opportunities to develop their expertise and knowledge and qualify for promotion in furtherance of their careers. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

12.2 Health and safety at work and welfare of employees
The Group is concerned about the health, safety and welfare of its employees. Therefore, the Group, through its subsidiary, Royal Exchange Healthcare Limited provides health insurance for all group staff.

12.3 Employees' involvement and consultation
The Group's consultation machinery was fully utilized in the year to disseminate management policies and encourage employee involvement in its affairs.

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Circulars and newsletters on significant corporate issues are published. In order to facilitate the exchange of information, a house journal titled "Royal News" is published featuring contributions from and about employees of the Group.

Directors' Report

12.4 Training

The Group recognizes that the acquisition of knowledge is ongoing. The Group also recognizes that to foster commitment, its employees need to hone their awareness of factors economic, financial or otherwise, that affect the Group. To this end, the Group, in the execution of its training programs, encourages and provides the opportunity for its staff to develop and enhance their skills awareness and horizons.

13 AUDIT COMMITTEE

The members of the statutory Audit Committee appointed at the annual general meeting held on 24 September, 2020, in accordance with S404 (3) of the Companies and Allied Matters Act 2020 were:

Alhaja A. S. Kudaisi (Chairman/Shareholders representative)
Mr. T. Olawuyi (Shareholders representative)
Mr. B. Akinsolu (Shareholders representative)
Chief A. I. Idigbe (SAN) (Member)
Mr. A. A. Ojora (Member)
Mr. Hewett Benson (Member)

The committee met in accordance with the provisions of S 404 of the Companies and Allied Matters Act, 2020 and will present their report.

14 SHAREHOLDERS INFORMATION

Build up Share capital history.

1 SHARE CAPITAL HISTORY

YEAR	SHARE CAPITAL	MODE OF ACQUISITION
1990	21,600,000	INITIAL SHARE CAPITAL
1991	27,000,000	BONUS 1991 5,400,000 SHARES
1992	33,750,000	BONUS 1992 6,750,000 SHARES
1995	50,625,000	BONUS 1995 16,875,000 SHARES
1996	75,937,500	BONUS 1996 25,312,500 SHARES
1997	227,812,500	RIGHT OFFER 151,875,000 SHARES
2000	341,718,750	BONUS 2000 113,906,250 SHARES
2001	512,578,125	BONUS 2001 170,859,375 SHARES
2003	683,437,500	RIGHTS OFFER 170,859,375 SHARES
2003	854,296,875	BONUS 2003 170,859,375 SHARES
2004	1,067,871,094	BONUS 2004 213,574,218 SHARES
2005	1,601,871,094	BONUS 2005 533,935,547 SHARES
2006	2,818,608,785	RIGHTS OFFER 1,216,802,144 SHARES
2007	3,359,898,835	SCHEME SHARES 541,290,050 SHARES
2008	3,695,888,719	BONUS 2008 335,989,884 SHARES
2009	4,065,477,591	BONUS 2009 369,588,872 SHARES
2010	4,573,662,289	BONUS 2010 508,184,698 SHARES
2011	5,142,370,074	BONUS 2011 571,707,786 SHARES

Directors' Report

2 BONUS HISTORY

YEAR	BONUS ISSUES
1991	5,400,000
1992	6,750,000
1995	16,875,000
1996	25,312,500
2000	113,906,250
2001	170,859,375
2003	170,859,375
2004	213,574,218
2005	533,935,547
2008	335,989,884
2009	369,588,872
2010	508,184,698
2011	571,707,786
TOTAL BONUS	**3,042,943,505**

3. SUMMARY

INITIAL SHARE CAPITAL	21,600,000
BONUS SHARES	3,042,943,505
RIGHT ISSUES	1,539,536,519
SCHEME SHARES	541,290,050
PAID UP CAPITAL	**5,145,370,074**

4. RIGHT ISSUES

YEAR	RIGHT ISSUE
1997	151,875,000
2003	170,859,375
2006	1,216,802,144
2006-2019	Nil
TOTAL RIGHTS	**3,079,073,038**

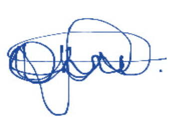
15 AUDITORS

The External Auditors, Messrs. Deloitte & Touche has indicated its willingness to continue in office in accordance with section 401(2) of the Companies and Allied Matters Act, 2020. A resolution will be proposed authorizing the Directors to fix their remuneration.

16 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

The Directors confirm that they have reviewed the structure and activities of the Group in view of the Code of Best Practices on Corporate Governance in Nigeria published in February, 2018. The Directors confirm that the Group has substantially complied with the provisions of the Code of Best Practices on Corporate Governance with regards to matters stated therein concerning the Board of Directors, the Shareholders and the Audit Committee.

BY ORDER OF THE BOARD



NGOZI ONU
FOR: MAZARS NIGERIA
COMPANY SECRETARY
FRC/2021/002/00000022920
LAGOS, NIGERIA
SEPTEMBER 23RD, 2021

Free Float Report

Board Listed:	Main Board
Year End:	December
Reporting Period:	Year Ended 31 December 2020
Share Price at end of reporting period	N0.26k (2019: N0.22K)

Shareholding Structure/Free Float Status

	31 DECEMBER, 2020		**31 DECEMBER, 2019**	
Description	**Units**	**Percentage (In relation to Issued Share Capital)**	**Units**	**Percentage (In relation to Issued Share Capital)**
Issued Share Capital	5,145,370,074	100%	5,145,370,074	100%
Details of Substantial Shareholdings (5% and above)				
[Name(s) of Shareholders]				
Dantata Investment & Securities Co. Ltd	904,638,980	17.58%	904,638,980	17.58%
Chief (Dr) Sunny Dike Odogwu (OFR)	266,870,509	5.19%	266,870,509	5.19%
Helen and Troy Holdings Limited	261,058,784	5.07%	261,058,784	5.07%
Total Substantial Shareholdings	**1,432,568,273**	**27.84%**	**1,432,568,273**	**27.84%**
Details of Directors Shareholdings (direct and indirect), excluding directors' holding substantial interests				
[Name(s) of Directors]				
Mr. Kenny Ezenwani Odogwu (Indirect)	2,013,119,834	39.12%	2,013,119,834	39.12%
Chief Anthony Ikemefuna Idigbe (San) (Indirect)	1,350,276	0.03%	1,350,276	0.03%
Alhaji Rabi'u Muhammad Gwarzo, OON (Direct)	3,782,319	0.07%	3,782,319	0.07%
Chief Uwadi Okpa-Obaji (Direct)	645,468	0.01%	645,468	0.01%
Alhaji Ahmed Rufa'i Mohammed (Direct)	-	-	-	-
Mr. Adeyinka Ojora (Direct)	100,000	0.00%	100,000	0.00%
Mr. Adeyinka Ojora (Indirect)	183,529,858	3.57%	183,529,858	3.57%
Mr. Hewett Benson (Direct)	-	-	-	-
Mr. Banmore Olawale Omotunde (Direct)	66,082	0.00%	66,082	0.00%
Total Directors' Shareholdings	**2,202,593,837**	**42.81%**	**2,202,593,837**	**42.81%**
Details of Other Influential shareholdings, if any (E.g. Government, Promoters)				
[Name(s) of Entities/ Government]				
Gombe State Government	5,637,604	0.11%	5,637,604	0.11%
Total of Other Influential Shareholdings	**5,637,604**	**0.11%**	**5,637,604**	**0.11%**
Free Float in Unit and Percentage	**1,504,570,360**	**29.24%**	**1,504,570,360**	**29.24%**
Free Float in Value	**N391,188,293.60**		**N451,371,108.00**	

Declaration:

A) Royal Exchange Plc with a free float percentage of 29.24% as at December 31, 2020, is compliant with The Exchange's free float requirements for companies listed on the Main Board.

B) Royal Exchange Plc with a free float percentage of 29.24% as at December 31, 2019, is compliant with The Exchange's free float requirements for companies listed on the Main Board.

SHARE DEALING POLICY

1 PURPOSE

1.1 To outline RE's share dealing policy which is applicable to all of its employees, directors, officers, contractors, agents, auditors or audit committee members, consultants and shareholders holding 5% or more of any class of RE's securities (together "Applicable Persons").

1.2 As RE's shares are listed on the Nigerian Stock Exchange, RE is obliged to comply with the rules of the Nigerian Stock Exchange, the Investments and Securities Act as well as Securities and Exchange Commission ("SEC") Rules and Regulations 2013 ("SEC Rules"), SEC Code of Corporate Governance for Public Companies 2013,the Companies and Allied Matters Act 2004 ("CAMA"),The Financial Reporting Council of Nigeria Act ("FRCN") (together the "Relevant Securities Laws").

1.3 The Relevant Nigerian Securities Laws imposes restrictions on dealings in the securities of a listed company (which would include shares) to ensure that employees and certain other persons do not abuse, and do not place themselves under suspicion of abusing price sensitive information that they may have or be perceived to have.

1.4 Care must therefore be taken in the timing of any 'Dealing' in RE's shares.

2 THE POLICY

2.1 It is expressly prohibited for any Applicable Person or Connected Person to Deal in RE's shares when:

(a) they have Inside Information; or
(b) they are notified by RE that trading is prohibited for a fixed period or until further notice.

2.3 Employee Insiders (as defined below) may not Deal in RE's shares without obtaining clearance to Deal in advance in accordance with paragraph 6 (Clearance to Deal).

2.4 A breach of this Policy constitutes a serious employee disciplinary offence, which could result in dismissal, and may also expose Applicable Persons or Connected Persons to criminal and/or civil sanctions.

2.5 For the avoidance of doubt this Policy is a supplement to, and not a substitute for any of the Relevant Securities Law.

3 DEFINITIONS APPLICABLE TO THIS POLICY

The following definitions are referred to within this Policy:

"Connected Persons" include:

(a) the spouse or civil partner;
(b) any children (including step-children) under 18 years of age;
(c) a nominee, including an investment manager managing funds on their behalf;
(d) a trust of which they, any member of their family, or any family-controlled company, are the trustee or beneficiary;
(e) a person in partnership with them or any of their connected persons mentioned in (a) to (c) above (acting in his or her capacity as such); or
(f) a company which they or their family control.

'Deal' or 'Dealing' includes:

(a) (a) any acquisition or disposal of, or agreement to acquire or dispose of the shares of the company;
(b) (b) entering into a contract (including a contract for difference) the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the price of the shares of the company;
(c) (c) the grant, acceptance, acquisition, disposal, exercise or discharge of any option to acquire or dispose of any of the shares of the company;
(d) (d) entering into, or terminating, assigning or novating any stock lending agreement in respect of the shares of the company;
(e) (e) using as security, or otherwise granting a charge, lien or other encumbrance over the shares of the company;
(f) (f) any transaction, including a transfer for nil consideration, or the exercise of any power or discretion effecting a change of ownership of a beneficial interest in the shares of the company; or
(g) exercising any other right or fulfilling any obligation, present or future, conditional or unconditional, to acquire or dispose of any securities of the company.

"Inside Information" is information of a nature which:

(a) is not generally available to the general market; and
(b) (b) would, if generally available, be likely to have a significant effect on the price of RE's shares.

"Employee Insiders" are Applicable Persons who are considered to have access to Inside Information on a regular or occasional basis and would automatically include:

(a) all directors of RE;
(b) all directors and managers of RE subsidiaries
(c) all senior executives of RE;
(d) all senior executives of all RE subsidiaries;
(e) certain members of the finance division;
(f) certain members of the corporate affairs division;
(g) certain members of the legal department division;
(h) certain members of the information technology department;
(i) certain personal assistants executive assistants/administrative assistants to the above roles; and
(j) any other person designated as an Employee Insider by any director or officer of RE from time to time.
(k) Acting as trustee: where a person to whom this policy applies acts as a trustee of a trust this policy may also apply to dealings undertaken by that trust. Persons to whom this is relevant should seek further information from the Group Head of Legal.

If you are in any doubt regarding whether you are classified as an Employee Insider, you must check with the Group Head of Legal. The Legal department maintains a register of all Employee Insiders.
"Prohibited Period" is any Close Period or any period when there exists any matter which constitutes Inside Information in relation to RE.

4 SHARE DEALING RESTRICTIONS ON ALL APPLICABLE PERSONS

4.1 As an Applicable Person, you must not Deal in RE shares if you are in possession of Inside Information or if you are notified by RE that trading is prohibited for a fixed period or until further notice. If you are in any doubt as to whether information you possess is Inside Information you should contact the [Head of Legal] before you Deal.

4.2 Your obligation not to Deal while in possession of Inside Information also applies to Dealing in shares of another company if such Inside Information would possibly have a significant effect on the price of the shares of that other company. For example, if RE was in negotiations to acquire another listed company or be sold to another listed company, share trading in both companies would be prohibited during the period of such negotiations.

4.3 If you are in possession of Inside Information, the prohibition on Dealing also applies to people connected to your 'Connected Persons' (see the above definition).

4.4 This Policy applies to all securities you now own, or may in the future acquire, whether you or any Connected Person hold such securities directly or indirectly.

5 SHARE DEALING RESTRICTIONS ON ALL EMPLOYEE INSIDERS

5.1 All Employee Insiders (or any Connected Persons) must not Deal in any securities of RE without obtaining clearance to Deal in advance in accordance with paragraph 6 (Clearance to Deal).

5.2 This restriction is designed in particular to protect directors and senior executives who do not have access to Inside Information which may be known to the other members of the Board or who may be unable correctly to assess the significance of the information. The object is to prevent embarrassment to the person concerned, the Board and RE as a whole.

5.2 The [Group Head of Legal] will be able to provide you with a form for you to complete your request for authorization to Deal.

6 CLEARANCE TO DEAL

6.1 An Employee Insider who wishes to Deal in any securities of RE must first notify the director designated by the Board for this purpose and must not Deal without first receiving clearance from him. This is in addition to the requirement that directors and other insiders must notify SEC not later than 48 hours of sale and purchase of their shares under the SEC Rules. Provided that such notification does not relieve the Employee Insider of the obligation to comply with the provisions of any law or rules relating to insider trading. 6.2 If the Chairman, Chief Executive Officer, Managing Director or the director designated by the Board for the purposes of paragraph 6.1, wishes to Deal in any securities of RE he must first notify the Board and must not Deal without first receiving clearance from the Board in a Board meeting.

6.3 A response to a request for clearance to Deal must be given to the relevant Employee Insider within five business days of the request being made.

6.4 RE will maintain a record of the response to any Dealing request made by a Employee Insider and of any clearance given. A copy of the response and clearance (if any) must be given to the Employee Insider concerned.

6.5 An Employee Insider who is given clearance to Deal in accordance with this paragraph 6 (Clearance to Deal) must Deal as soon as possible and in any event within two (2) business days of clearance being received excluding the day on which clearance was given. A fresh clearance must be sought if the dealing is not completed within this period. Failure to comply with this time period is a serious disciplinary matter and may also constitute a criminal offence.

6.6 An Employee Insider must not be given clearance to Deal in any securities of RE during:

(a) a Prohibited Period;

(b) on considerations of a short-term nature (an investment with a maturity of one year or less will always be considered of a short term nature); or

(c) at any time when the person responsible for the clearance otherwise has reason to believe that the proposed Dealing is in breach of this Code.

6.7 In exceptional circumstances, an Employee Insider who is not in possession of Inside Information in relation to RE may be given clearance to sell, but not to purchase, securities to alleviate severe personal hardship. Examples of the type of circumstance which may be considered exceptional for these purposes would be where severe personal hardship would otherwise result to an Employee Insider or his immediate relatives such as the urgent need for a medical operation or to satisfy a court order where no other funds are reasonably available.

7 CLOSE PERIODS

7.1 Employee Insiders (and any Connected Persons) are prohibited from Dealing in RE's shares during:

(a) the 60 days preceding the announcement of the interim and full year results; or

(b) if shorter, the period between the end of the relevant financial period and the announcement of associated results (a "Close Period").

7.2 Employee Insiders will be given notice by the [Head of Legal] when RE is about to enter a Close Period.

8 CONFIDENTIALITY OBLIGATIONS

As you know, every Applicable Person is under an obligation to RE to ensure they do not disclose confidential information concerning RE, its business or its clients to anyone except in the necessary course of business. It is therefore important that you do not discuss confidential information in situations where it may be overheard, nor participate in discussions regarding decisions by others about investments in RE.

Persons to whom this policy applies must keep confidential the fact that they are intending to deal or that they have applied for clearance and if clearance was refused that this was the case.

9 AMENDMENTS TO THIS POLICY

This Policy may be amended, revised or modified at any time. Any such amendments, revisions or modifications will be disseminated throughout RE.

Report of Corporate Governance

Good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance. To that end, Royal Exchange continues to integrate the best practices in its governance structure and the board is optimistic that with intensified oversight functions and the continued implementation of the control synergy put in place the company will remain on its path to the glory days.

Governance Culture
The company continues to maintain effective corporate governance culture which runs through the entire spectrum of the organization. The board champions the course by setting the tone and cascades this through the organization.

The company maintains the culture of exposing the board members to corporate governance training to enhance their performances.

1 GOVERNANCE STRUCTURE

The Board membership comprises of Six (6) members. The Chairman and Four (4) Non-Executive Directors inclusive of one (1) Independent Director and (1) Executive Director.

All the current Non-Executive Directors served on the Board throughout 2020. Members of the Board of Directors of the subsidiaries are appointed from the Group Executive Management. Each of the subsidiary has its board of directors and Independent directors. The Holding Company maintains oversight function through its Four (4) Committees namely: Board Establishment, Governance and Risk Management, Board Investment, Finance and General Purposes, Board Strategy and Remunerations, and the Statutory Audit Committees.

The Leadership

The Board of Directors
The Board of Directors is the principal driver of strategic affairs and corporate governance of the company and has overall oversight responsibility for ensuring that the tenets of good corporate governance are adhered to.

Board members are provided with information on the group's strategies, plans and performance, and devote sufficient time and effort in preparation for meetings.

The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter. There is a separation of roles and responsibility of the chairman of the board and the Group Managing Director of the company.

The Company Secretary
The Company Secretariat provides reference and support for all Directors. It also consults regularly with Directors to ensure that they receive required information promptly. The Company Secretary is also responsible for assisting the Board and Management in the implementation of the Code of Corporate Governance, coordinating the orientation and training of new Directors and the continuous education of Non-Executive Directors.

Non-Executive Directors (NED)
Non-Executive Directors are not involved in the day-to-day operations of the business and are appointed for an initial term of three years and can be re-elected in accordance with the provisions of the Board policy on Fit and Proper persons. Their roles are limited to contributing to the strategic decision making.

Report of Corporate Governance

Executive Directors (ED)

The Executive Director is based on contractual agreement of Two (2) years and may be renewed for another term subject to a satisfactory annual performance evaluation. The maximum tenure of an Executive Director is two terms. The Board may grant a waiver of the tenure limit in the case of an Executive Director whose performance is deemed exceptional.

Board meeting attendance

The board meetings are scheduled quarterly. However, for emergency purpose, the board could meet at a number of times higher. In the year under review, the board met six times with an attendance rate of 91%.

Directors	**Status**	**Designation**	**Attendance**	**% Attendance**
Expected Meetings 4				
Actual Meetings 10				
Mr. K. E. Odogwu	Non-Executive Director	Chairman	10	100%
Chief A. I. Idigbe (SAN)*	Non-Executive Director	Member	9	90%
Mr. Nnamdi Oragwu	Alternate	Member	4	40%
Mr. Daniel Maegerle	Non-Executive Director	Member	5	50%
Alhaji A. R. Mohammed	Non-Executive Director	Member	10	100%
Mr. A. A. Ojora	Non-Executive Director	Member	9	90%
Mr. H. Benson	Independent Director	Member	10	100%
Olawale Banmore**	Executive Director	Member	5	50%
Average Attendance				78%

* Chief Idigbe (SAN) was represented by his alternate Mr. Nnamdi Oragwu in some of the meetings
**Mr. Olawale Banmore resigned

Board Committees

The Board has the following standing committees, Statutory Audit Committee, Finance, Investment and General Purposes Committee, Governance Committee and Strategy Committee. Each Committee, has a defined Charter which embodies its guiding principles and sets out its composition, functions, responsibilities and scope of authority.

The committees are established to provide preparatory and administrative support to the Board. The issues considered at Committee meetings are reported at the subsequent full Board meetings for final consideration and resolution of action points/directive.

The Board has the following standing committees:

- Establishment & Governance Committee
- Audit committee
- Risk Management Committee
- Finance and General Purposes Committee
- Investment committee
- Strategy Committee

Report of Corporate Governance

Governance Committee

The committee is responsible for overseeing the Group's governance program with a view to ensuring that the rights of the shareholders are fully protected. It is also responsible for determining the remuneration of the executive and non-executives, nominations for candidates to fill Board vacancies, overseeing, setting and reviewing the risk governance framework, including risk management and control, risk policies and their implementation as well as the risk strategy and monitoring of operational risks.

The committee comprises of (2) non-executive directors. The Head of Strategy and Risk is in attendance. Members of the committee are Mr. H. Benson and Alhaji Rufa'I Mohammed.

The committee met four times during the year with 100% attendance.

Statutory Audit committee
The Statutory Audit committee is responsible for oversight functions regarding communication of Financial Accounting Reporting. It is responsible for the internal control, including the activities, Plans, standards, Organization and Quality of Internal Audit.

The Committee comprises of six (6) members made up of three Non-Executive Directors, and three shareholders' representatives. Members of the committee include, Alhaja A.S Kudaisi (Chairman), Chief I.Idigbe (SAN), Mr. H. Benson, Mr. A.A. Ojora, Mr. T. Olawuyi, and Mr. Benkunmi Akinsolu

The committee met four (4) times during the year with 100% attendance.

Finance, Investment and General Purposes Committee
The Board Finance, Investment & General Purpose Committee has oversight responsibility on issues relating to the strategic planning, budgetary process, procurements, corporate finance, resources and assets utilization, capital structure, investment strategies and reporting financial performance of the group.

The Committee comprises of, Chief A.I Idigbe SAN, (Chairman), Alhaji. A.R Mohammed, Mr. A.A Ojora, and Mr. H Benson.

The committee consists of five (5) members and met four times during the year with average attendance of 60%.

Strategy Committee
The Committee's responsibility includes but not limited to advising and assisting the board in carrying out, (1) the development, articulation and execution of the Group's long term strategic plan and (2) advisory oversight responsibilities relating to potential mergers, acquisitions (3) other key strategic transactions outside the ordinary course of the Group's business.

The Committee comprises of Alhaji A.R. Mohammed and Mr. H. Benson. The committee is made up of two (2) members and met four (4) times in the year with 100% attendance. The Head of Strategy and Risk is in attendance in the Committee.

Report of Corporate Governance

Board Committee meeting attendance

Directors	Status	RMS	AC	BSC	F&GP
Expected Meetings		4	4	4	4
Actual Meetings		4	4	4	4
No. of Committee members		2	6	2	5
Chief A. I. Idigbe (SAN)	Non-Executive Director		4		5
Mr. Daniel Maegerle	Non-Executive Director				1
Alhaji A. R. Mohammed	Non-Executive Director	4		4	1
Mr. A. A. Ojora	Non-Executive Director		4		4
Mr. H. Benson	Independent Director	4	4	4	1
Alhaji A. S. Kudaisi	SH. Rep		4		
Mr. T. Olawuyi	SH. Rep		4		
Mr. A. Benkunmi	SH. Rep		4		
Average Attendance		100%	100%	100%	60.0%

Subsidiary Governance

Royal Exchange's governance strategy is implemented through the establishment of systems and processes which assures the Board that the subsidiaries reflect the same values, ethics, control and processes as that of the parent Company while remaining independent in the conduct of their business. It provides the structure through which performance objectives of the subsidiaries are set, the means through which the set objectives are achieved and how performance monitoring is conducted.

Monthly Subsidiaries strategic business activities and operating environment are discussed at the Executive Committee (EXCO) level where strategic directions are set. The reports cover the subsidiaries' financial performance, risk assessment, regulatory activities among others. To ensure an effective and consistent compliance culture across all entities, the Group Compliance function oversee compliance risk and promote training and best practice implementation across the subsidiaries, therefore affirming the group commitment to a zero tolerance for regulatory breaches.

Resignation of the Executive Director

The contract of employment of the Group Managing Director of the company Mr. Wale Banmore was not renewed upon its expiration on December 31, 2020.

Engagements

To foster an atmosphere of cordiality and in recognition of their importance to the different businesses within the group, the company regularly engaged with the regulator to ensure the extant regulations are complied with. Similarly, the company continually engages with its shareholders and shareholders' group with the intent of fostering better understanding of the group's governance mechanism and performance.

Board code of ethics

The company has in place Code of Business Ethics to provide guidance for the board and staff to avoid unethical and unwholesome practice and conflict of interest in any business relationship. Additionally, there is whistle blowing policy which is meant to encourage reporting on perceived unwholesome ethical behavior in the company.

Report of Corporate Governance

Board Performance Evaluation

The performance of the Board, its committees, the chairman and individual directors were appraised in compliance with the provisions of the Code of Corporate Governance by an independent consultant and submitted to the regulators.

2 GROUP STRUCTURE AND SHAREHOLDERS

Operational Group Structure

Royal Exchange Plc manages its exposure to group governance on a matrix depicting lines of business and functionalities which reflects in the areas of responsibility.

The Executive Committee (EXCO)

The Executive Committee (EXCO) is headed by the GMD and includes the Group Executive Director and the Group Heads of Finance & Accounts, Human Resources, Enterprise Risk Management, Strategy & Business Improvement, Legal & Company Secretarial Services and the Managing Director of other subsidiaries.

The Group Management Executive Committee (GMEC)

The GMEC is responsible for the day to day running of the Group and ensure the Board is fully informed at all times. It also ensures that the processes, policies, procedures and controls within the Group are effective and regularly reviewed to deliver financial and operational accountability and success.

The GMEC is headed by the Group Managing Director and includes the Group Executive Director, Managing Directors of the subsidiaries and Group Heads of Departments.

INFORMATION TO SHAREHOLDERS

To ensure the shareholders are adequately informed and their interest protected, the company has an Investors Relations Unit domiciled in the company secretariat to deal directly with enquiries from shareholders and ensure that shareholders' views are escalated to Management and the Board.

Annual General Meeting

Annual General Meetings are annually held to provide the shareholders or their proxies' opportunity to deliberate and take decisions on the issues affecting the company. It also enables shareholders direct access to senior and executive Management. The Annual General Meetings are attended by representatives of regulators such as the Security and Exchange Commission (SEC), The Nigerian Stock Exchange, Corporate Affairs Commission as well as representatives of Shareholders' Associations.

Going Concern

Information relating to the company's going concerns are periodically released to the investing public on quarterly, half-yearly and annual basis in wide Information relating to the company's going concern status is periodically released to the investing public on quarterly, half-yearly and annual basis in widely read national newspapers.
and our web page www.royalexchangeplc.com/investors-relations/

Cross shareholding

The company has no interest in any other company exceeding 5% of the voting rights of other company, neither does any other company have an interest in Royal Exchange Plc exceeding 5% of their voting rights.

Communication Policy

The company ensures that communication and information dissemination regarding the company's operations to stakeholders and the general public is timely, accurate and continuous. Such information is available on the company's website, http://www.royalexchangeplc.com.

Report of Corporate Governance

Whistle Blowing procedures
In line with this commitment of maintaining highest standards of ethical, moral and legal business conduct, the company has established a whistle blowing procedure that ensures and provides an avenue for employees to raise concerns and be assured that they will be protected from reprisals or victimization for whistle blowing. This whistleblower policy is intended to provide protection for any whistleblower that raises concerns in good faith, relating to:

- Incorrect or inappropriate financial reporting;
- A violation of a law or regulation;
- Possible fraud and corruption;
- Activities which otherwise amount to serious improper conduct;
- Health & safety risks including risks to the public as well as other staff;

Complaints Management
Royal Exchange views complaints as a feedback mechanism for business improvement and customer retention strategy, this may be in form of; any expression of dissatisfaction, resentment or grievances whether justified or not made by a person or corporate body about any aspect of its operation, services, personnel, policies, shares or dividends. The company is committed to resolving customer's complaints whenever they arise. Our complaints and feedback structure ensures prompt resolution of customers' complaints. There is a dedicated Complaints Unit apart from our 24/7 Contact Center responsible for receiving, escalating, ensuring prompt investigation and resolution of customers' complaints within the specified service level agreement (SLA).

Anti-Money laundering and combating the Financing of Terrorism (AML/CFT) framework
Royal Exchange is committed to ensuring that its products and services are not used for Money Laundering and Financing of Terrorism and Proliferation of Weapons of Mass Destruction; and that its processes and procedures are in compliance with all applicable Laws and regulations on Money Laundering. To this end, there is an annual awareness and sensitization training on AML/CFT for Royal Exchange Board members, Management and staff across the nation on money laundering techniques and how to combat it. There is also in place continuous compliance risk assessments and profiling of all our products and customers for effective combating of AML/CFT violations with an enshrined due diligence in place for all our business activities.

Statement of Compliance
In compliance with the provisions of the SEC code, Royal Exchange Plc. hereby confirms that its sustainability initiatives are in alignment with Part D of the Code and that our related party transactions are being monitored in compliance with the code.

Furthermore, in compliance with Section 34.7 of the SEC Code, we hereby confirm to the best of our knowledge that Royal Exchange Plc. has in place an effective Risk Management, Control and Compliance system in place and the internal audit system is effective and efficient.

Ngozi Onu
For: Mazars Nigeria
Company Secretary
Lagos, Nigeria.
FRC/2021/002/00000022920
23 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

The Directors of Royal Exchange Plc accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, and the Financial Reporting Council of Nigeria Act, 2011.

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

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

Going Concern:
The Directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the Group will not remain a going concern in the year ahead.

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

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

We state that management and directors:

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

We have disclosed:

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

The financial statements of the Group for the year ended 31 December 2020 were approved by the directors on 23 September 2021.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS:

Kenneth Odogwu
(Chairman)
(FRC/2013/NBA/00000004195)

Alh. Ahmed Rufa'i Mohammed
(Director)
(FRC/2015/IODN/000000013008)

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 404 (7) of the Companies and Allied Matters Act 2020. We, the Members of the Audit Committee have reviewed and considered the financial statements of the Group for the year ended 31 December, 2020 and the reports thereon and confirm as follows:

a. The accounting and reporting policies of the company and Group are in accordance with legal requirements and agreed ethical practices.

b. The scope and planning of both the external and internal audits for the year ended 31 December, 2020 were satisfactory and reinforce the Group's interna control systems.

c We have reviewed the findings on management matters, in conjunction with the external auditors and are satisfied with the response of management thereon.

d. The company's systems of accounting and internal controls were adequate

e. After due considerations, the committee accepted the report of the auditors that the financial statements were in accordance with ethical practice and International Financial Reporting Standard (IFRS). The Committee therefore recommends that the financial statements for the year ended 31 December 2020 and the Auditors' report thereon be presented for adoption by the Group at the Annual General Meeting.

Dated This 23 September 2021

Alhaja A. S. Kudaisi
Chairman, Audit Committee

Other Members

Alhaja A. S. Kudaisi	Chairman (Shareholders' representative)
Mr. T. Olawuyi	Member (Shareholders' representative)
Mr. B. Akinsolu	Member (Shareholders' representative)
Chief A. I. Idigbe (SAN)	Member
Mr. A. A. Ojora	Member
Mr. Hewett Benson	Member

RESULTS AT A GLANCE

	31-Dec-20	31-Dec-19	%
EARNED INCOME	16,313,172	14,870,724	10
PROFIT/(LOSS) BEFORE TAX	130,040	(1,013,011)	113
LOSS AFTER TAX	(77,116)	(1,312,816)	94
SHARE CAPITAL	2,572,685	2,572,685	-
SHAREHOLDERS' FUND	3,662,432	3,983,416	(8)
LOSS PER SHARE (NAIRA) - BASIC	(8)	(26)	70
STOCK EXCHANGE QUOTATION (NAIRA)	0.26	0.22	18

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Royal Exchange Plc

Report on the Audit of the Consolidated and Separate financial statements

Opinion

We have audited the financial statements of **Royal Exchange Plc** and its subsidiaries (the Group and Company) set out on pages 28 to 35, which comprise the consolidated and separate statements of financial position as at 31 December, 2020 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **Royal Exchange Plc** as at 31 December, 2020 and its consolidated and separate financial performance and consolidated and separate statement of cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020 and Financial Reporting Council Act.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of consolidated Financial Statements in Nigeria.

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

Emphasis of matter

1 We draw attention to Note 2(f) in the consolidated and separate financial statements. As of 31 December 2020, the company recorded a loss after tax of ₦478.431 million (2019: ₦374.058 million). At the same time, the company's total admissible assets less net insurance and investment contract liabilities amounted to a solvency deficit of ₦2.793 billion (2019: ₦352 million).

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance Contracts Loss Reserve	
Under IFRS 4, the Group is required to perform liability adequacy test on its insurance contract liabilities to ensure the carrying value of the liabilities is adequate. As disclosed in note 26 to the financial statements, the insurance contract liabilities of the Group amounted to N9.79 billion [2019: N10.97 billion]. This represents about 39% of the Group total liabilities as at 31 December 2020. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses as at 31 December 2019. This involves exercise of significant judgement and use of key inputs and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modelled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves.	Our procedures included the following among others: We assessed and tested the design and operating effectiveness of selected key controls over actuarial methodology, integrity of data used in the actuarial valuation, and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves. In relation to the particular matters set out above, our substantive testing procedures included the following: • Tested the completeness and accuracy of underlying claims data utilized by the company's actuaries in estimating general insurance loss reserves. • Utilized information technology audit techniques to analyze claims through claims data plausibility checks and recalculation of claims development patterns. • Involved Deloitte's actuarial specialists to independently test management's general insurance loss reserve studies and evaluate the reasonableness of the methodology and assumptions used against recognized actuarial practices and industry standards. • Performed independent re-projections on selected product lines, particularly focusing on the largest and most uncertain general insurance reserves. For these product lines our actuarial specialists compared their re-projected reserves to those recorded by the company and sought to understand any significant differences. Performed sensitivity testing and evaluated the appropriateness of any significant adjustments made to management's general insurance reserve estimates.

At the end of each financial year, management employ the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.

Based on the work performed we determined the methodology and assumptions used by management in the valuation of insurance contract liabilities reserves are reasonable and in line with financial reporting requirements and industry accepted practice.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 consolidated and separate 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 Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with Fifth Schedule of the Companies and Allied Matters Act we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Group has kept proper books of account, so far as appears from our examination of those books.
iii) The Group and Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.
iv) As disclosed in note 62, the Group paid N7.69milion for the contravention of regulatory requirement in the year.

Yetunde Odetayo
FRC/2013/ICAN/00000000823
For: Deloitte & Touche Chartered Accountants
Lagos, Nigeria
29 September 2021

Consolidated Statements of Financial Position
At 31 December 2020

In thousands of Naira	Note	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
ASSETS					
Cash and cash equivalents	5	12,807,056	13,834,940	156,823	191,331
Loans and advances to customers	6	1,044,098	906,558	-	-
Advances under finance lease	7	88,201	217,571	-	-
Investment securities:					
Measured at Fair Value Through Profit or Loss (FVPL)	8(a)	1,162,188	977,317	21,508	18,508
Measured at Fair Value Through Profit or Loss (FVOCI)	8(b)	4,738,350	2,492,584	-	-
Amortized Cost	8(c)	210,738	174,684	1,096	4,946
Investment in subsidiaries	9	-	-	8,568,651	8,568,651
Trade receivables	10	136,091	118,393	-	-
Reinsurance assets	11	2,195,156	2,887,473	-	-
Deferred acquisition cost	12	281,416	209,395	-	-
Other receivables and prepayments	13	471,550	564,586	219,712	390,376
Investment in associates	14	226,343	227,220	-	-
Investment properties	15	5,635,991	6,040,461	-	-
Property and equipment	17	1,381,742	1,437,131	774	3,390
Right of Use Asset	17(b)	10,089	15,764	8,466	18,460
Intangible assets	18	5,133	9,830	-	-
Employees retirement benefit asset (Net)	19	257,168	295,649	-	-
Statutory deposits	20	555,000	555,000	-	-
Deferred tax assets	21	193,968	168,810	-	-
Assets classified as held for sale	16	973,639	973,639		
Total assets		**32,373,917**	**32,107,005**	**8,977,030**	**9,195,662**
LIABILITIES					
Borrowings	29	2,184,877	2,276,717	2,313,544	2,383,607
Deferred Income	22	138,244	109,332	-	-
Trade payables	23	7,909,847	6,157,185	-	-
Other liabilities	24	1,864,278	1,735,444	2,073,330	2,028,316
Depositors' funds	25	1,364,220	1,784,150	-	-
Insurance contract Liabilities	26	9,798,691	10,969,033	-	-
Investment contract Liabilities	27	276,980	265,521	-	-
Finance Lease Obligation	29(b)	-	-	16,833	31,467
Current income tax liabilities	28(b)	650,203	588,690	254,511	283,847
Employees benefit liability	19(a)	41,335	39,252	1,656	1,418
Deferred tax liabilities	21	610,101	565,092	-	-
Total liabilities		**24,838,776**	**24,490,416**	**4,659,874**	**4,728,655**
EQUITY					
Share capital	30	2,572,685	2,572,685	2,572,685	2,572,685
Share premium	31	2,690,936	2,690,936	2,690,936	2,690,936
Contingency reserve	32	2,291,372	1,899,998	-	-
Treasury shares	33	(500,000)	(500,000)	-	-
Retained earnings	34	(4,051,382)	(3,240,315)	(948,352)	(798,409)
Other component of equity	35(c)	658,821	560,112	1,887	1,795
Other reserve			-	-	-
Capital and reserves attributable to owners		**3,662,432**	**3,983,416**	**4,317,156**	**4,467,007**
Non-controlling interests	35(d)	**3,872,709**	**3,633,174**	**-**	**-**
Total Equity		**7,535,141**	**7,616,590**	**4,317,156**	**4,467,007**
Total equity & liabilities		**32,373,917**	**32,107,005**	**8,977,030**	**9,195,662**

The Consolidated Financial Statements were approved by the board of directors on 23 September 2021 and signed on its behalf by:

Kenneth Odogwu	**Oluyemisi Afolabi**	**Alh. Ahmed Rufa'i Mohammed**
Chairman	***Ag. Chief Financial Officer***	***Director***
(FRC/2013/NBA/00000004195)	(FRC/2012/ICAN/00000000580)	(FRC/2015/IODN/000000013008)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Naira	Note	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Gross premium written:	36(a)	15,292,757	14,207,878	**-**	**-**
Unearned premium		(264,200)	233,554	**-**	**-**
Gross premium income		**15,028,557**	**14,441,432**	-	-
Reinsurance expenses	36(b)	(6,837,044)	(5,724,505)	-	-
Net premium income		**8,191,513**	**8,716,927**	**-**	**-**
Fees and commission income	37	663,205	479,688	-	-
Net underwriting income		**8,854,718**	**9,196,615**	**-**	**-**
Insurance claims and benefits incurred	38	(3,373,803)	(4,062,501)	-	-
Insurance claims and benefits incurred - recoverable from reinsurers	39(ii)	704,167	884,066	-	-
Net claims expenses		(2,669,636)	(3,178,435)	-	-
Changes in insurance contract liabilities		(462,513)	(568,052)	-	-
Underwriting expenses	40	(4,606,732)	(4,537,133)	-	-
Total underwriting expenses		**(7,738,881)**	**(8,283,620)**	**-**	**-**
Underwriting profit		**1,115,837**	**912,995**	**-**	**-**
Net Interest Income	41	159,643	(653,885)	(220,097)	(1,352,098)
Investment and other income	42	658,733	952,684	230,294	1,181,215
Share of profit/loss on investment in associate	14	(877)	13,925	**-**	-
Net fair value gain or loss on financial assets	43	35,307	(92,090)	3,000	(6,264)
Charge/write-back of impairment allowance	44	(267,924)	(279,282)	-	-
ECL Impairment Allowance	44(a)	13,935	(77,334)	(44,308)	(74,934)
Operating income (Revenue)	45(i)	-	-	36,713	46,801
Other operating income	45(ii)	612,480	500,720	118,513	169,451
Foreign exchange gains	46	73,318	64,554	-	-
Net Income		**2,400,452**	**1,342,287**	**124,114**	**(35,829)**
Management expenses	47	(2,270,412)	(2,355,298)	(273,638)	(379,826)
Total expenses		**(2,270,412)**	**(2,355,298)**	**(273,638)**	**(379,826)**
Profit/(Loss) before tax		130,040	(1,013,011)	(149,524)	(415,655)
Minimum tax	28(a)	(1,595)	(9,278)	(419)	(7,137)
Income taxes	28(a)	(205,561)	(290,527)	-	-
Profit after taxation		**(77,116)**	**(1,312,816)**	**(149,943)**	**(422,792)**
Profit is attributable to:					
Owners of Royal Exchange Plc		(388,576)	(1,358,779)	(149,943)	(422,792)
Non-controlling interest		311,460	45,962	-	-
		(77,116)	**(1,312,816)**	**(149,943)**	**(422,792)**
Other comprehensive income, net of tax					
Items that will never be reclassified subsequently to profit or loss:					
Net actuarial gains/(losses) of defined benefit obligations		(74,038)	(37,682)	92	(759)
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of FVOCI investments		259,774	217,029	-	-
Total other comprehensive income, net of tax		185,736	**179,347**	92	**(759)**
Total comprehensive income for the period		**108,620**	**(1,133,469)**	**(149,851)**	**(423,551)**
Total comprehensive income attributable to:					
Owners of Royal Exchange Plc		(295,502)	(1,188,624)	(149,851)	(423,551)
Non-controlling interest		404,122	55,155	-	-
		108,620	**(1,133,469)**	**(149,851)**	**(423,551)**
Total comprehensive income for the period attributable to owners of Royal Exchange Plc arising from:					
Continued operations		(295,502)	(1,188,624)	(149,851)	(423,551)
		(295,502)	**(1,188,624)**	**(149,851)**	**(423,551)**
Loss per share - Basic and diluted (kobo)	**48**	**(8)**	**(26)**	**(3)**	**(8)**

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

Statement of Changes in Equity
At 31 December 2020

Group
In thousands of Naira

						Other component of equity						
	Share Capital	**Share Premium**	**Contingency Reserve**	**Retained Earnings**	**Treasury Shares**	**Regulatory risk reserve**	**Actuarial Gain/Loss Reserve**	**Fair value reserve**	**Other Component of Equity (Total)**	**Equity attributable to Parent's Shareholders**	**Non-controlling Interests**	**Total Equity**
At 1 January 2020	2,572,685	2,690,936	1,899,998	(3,240,315)	(500,000)	475,568	86,307	(1,763)	560,112	3,983,416	3,633,174	7,616,590
Fair value reserve	-	-	-	-	-	-	-	143,816	143,816	143,816	115,928	259,744
Share of returns in associates	-	-	-	-	-	-		(6,643)	(6,643)	(6,643)	6,643	-
Net actuarial gains/losses	-	-	-	-	-	-	(43,646)	-	(43,646)	(43,646)	(29,910)	(73,556)
Other comprehensive income in the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	(388,576)	-	-	-	-	-	(388,576)	311,460	(77,116)
Total comprehensive income	**2,572,685**	**2,690,936**	**1,899,998**	**(3,628,891)**	**(500,000)**	**475,567**	**42,661**	**135,410**	**653,640**	**3,688,368**	**4,037,295**	**7,725,662**
Withholding tax on Dividend paid (N25m) and Dividend paid to NCI (164m)	-	-	-	(25,477)	-	-	-	-	-	(25,477)	(164,586)	(190,063)
Transfer to contingency reserve	-	-	391,374	(391,374)	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	519	-	5,181	-	-	5,181	5,700	-	5,700
Write back of Loan provision (Finance)	-	-	-	(6,159)	-		-	-	-	(6,159)	-	(6,159)
At 31 December 2020	**2,572,685**	**2,690,936**	**2,291,372**	**(4,051,382)**	**(500,000)**	**480,748**	**42,661**	**135,410**	**658,821**	**3,662,432**	**3,872,709**	**7,535,141**

Statement of Changes in Equity
At 31 December 2019

Group
In thousands of Naira

						Other component of equity						
	Share Capital	**Share Premium**	**Contingency Reserve**	**Retained Earnings**	**Treasury Shares**	**Regulatory risk reserve**	**Actuarial Gain/Loss Reserve**	**Fair value reserve**	**Other Component of Equity (Total)**	**Equity attributable to Parent's Shareholders**	**Non-controlling Interests**	**Total Equity**
At 1 January 2019	2,572,685	2,690,936	2,409,567	(2,683,435)	(500,000)	545,713	119,757	(6,300)	659,170	5,148,923	-	5,148,923
									-			
Fair value reserve	-	-	(11,927)	-	-	-	-	215,756	215,756	203,829	11,927	215,756
Changes in fair value of FVOCI investments	-	-	-	-	-	-	-	-	-	-	-	-
Share of returns in associates	-	-	-	-	-	-		(226)	(226)	(226)	226	-
Net actuarial gains/losses	-	-	-	-	-	-	(33,450)	-	(33,450)	(33,450)	(2,960)	(36,410)
Other comprehensive income in the year	-	-	-	-	-	-	-	-	-	-	`-	-
Transfer to Memorandum account (finance)	-	-	-	-	-	-	-		-	-	-	-
Transfer to contingency reserve	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-		-	-	-	-	-
Prior year adjustment						-		-	-	-	-	-
Loss/(profit) for the year	-	-	-	(1,358,778)	-	-	-	-	-	(1,358,778)	45,962	(1,312,816)
Total comprehensive income	**2,572,685**	**2,690,936**	**2,397,640**	**(4,042,213)**	**(500,000)**	**545,713**	**86,307**	**209,230**	**841,250**	**3,960,298**	**55,155**	**4,015,453**
Share of newly recognized Non-controlling Interest (NCI)	-	-	-	-	-	-	-	-	-	-	2,421,339	2,421,339
Contingency reserve	-	-	(852,037)	-	-	-	-	-	-	(852,037)	852,037	-
Other component of equity	-	-	-	-	-	-	-	(210,993)	(210,993)	(210,993)	210,993	-
Retained earnings	-	-	-	(93,650)	-	-	-	-	-	(93,650)	93,650	-
Transfer to contingency reserve	-	-	354,395	(354,395)	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	69,538	-	(69,538)	-	-	(69,538)	-	-	-
Write back of Loan provision (Finance)	-	-	-	-	-	(607)	-	-	(607)	(607)	-	(607)
Transactions with owners in their capacity as owners:												
Other reserve	-	-	-	1,180,405	-	-	-	-	-	1,180,405	-	1,180,405
At 31 December 2019	**2,572,685**	**2,690,936**	**1,899,998**	**(3,240,315)**	**(500,000)**	**475,568**	**86,307**	**(1,763)**	**560,112**	**3,983,416**	**3,633,174**	**7,616,590**

Statement of Changes in Equity
At 31 December 2020
Company

In thousands of Naira	Share Capital	Share Premium	Retained Earnings	Other Component of Equity: Actuarial Gain/Loss Reserve	Other Component of Equity: Other Component of Equity (Total)	Equity attributable to Parent's Shareholders	Non-controlling Interests	Total Equity
At 1 January 2020	2,572,685	2,690,936	(798,409)	1,795	1,795	4,467,007	-	4,467,007
Adjustment	-	-	-	-	-	-	-	-
Profit for the period	-	-	(149,943)	-	-	(149,943)	-	(149,943)
Net actuarial gains/losses	-	-	-	92	92	92	-	92
Total comprehensive income	**2,572,685**	**2,690,936**	**(948,352)**	**1,887**	**1,887**	**4,317,155**	**-**	**4,317,156**
Transactions within equity:								
Dividend paid	-	-	-	-	-	-	-	-
At 31 December 2020	**2,572,685**	**2,690,936**	**(948,352)**	**1,887**	**1,887**	**4,317,156**	**-**	**4,317,156**

Statement of Changes in Equity
At 31 December 2019
Company

				Other Component of Equity				
In thousands of Naira	**Share Capital**	**Share Premium**	**Retained Earnings**	**Actuarial Gain/Loss Reserve**	**Other Component of Equity (Total)**	**Equity attributable to Parent's Shareholders**	**Non-controlling Interests**	**Total Equity**
At 1 January 2019	2,572,685	2,690,936	(375,617)	2,553	2,553	4,890,557	-	4,890,557
Adjustment	-	-	-	-	-	-	-	-
Loss for the period	-	-	(422,792)	-	-	(422,792)	-	(422,791)
Net actuarial gains/losses	-	-	-	(759)	(759)	(759)	-	(759)
Total comprehensive income	**2,572,685**	**2,690,936**	**(798,409)**	**1,795**	**1,795**	**4,467,007**	**-**	**4,467,007**
Transactions within equity:								
Dividend paid	-	-	-	-	-	-	-	-
At 31 December 2019	**2,572,685**	**2,690,936**	**(798,409)**	**1,795**	**1,795**	**4,467,007**	**-**	**4,467,007**

Consolidated Statements of Cashflows
At 31 December 2020

In thousands of Naira	Notes	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Loss for the year		(77,116)	(1,312,816)	(149,943)	(422,792)
Add: Minimum tax		1,595	9,278	419	7,137
Add: Income tax	28(a)	205,561	290,527	-	-
Profit before taxes		**130,040**	**(1,013,011)**	**(149,524)**	**(415,655)**
Adjustments for:					
ECL Impairment Allowance	44	(13,935)	77,334	44,308	74,934
Charge of impairment allowance	44	267,924	279,282	-	-
Depreciation on property and equipment	17	127,213	159,520	3,015	9,262
Depreciation on Right of Use Asset	17(b)	19,928	-	9,994	10,300
Amortization of intangible assets	18	6,497	7,355		
Profit/(Loss) on disposal of property and equipment	45	(51,764)	11,164		
Profit/(Loss) on disposal of Investment property		10,200	-		(1,180,405)
Dividend from investment in subsidiaries		-	-	229,291	(810)
Dividend income on equity investments (FVTOCI & FVTPL)	42	(181,051)	(26,753)	1,003	
Rental income	45	(75,712)	(106,149)		(36,932)
Interest income	41	(360,132)	(838,967)	(9,558)	
Interest expense on borrowings	41	200,489	1,473,892	223,744	1,370,069
Foreign exchange (loss)/gains	46	(73,318)	(64,554)		
Fair value gain/(loss) on FVTPL investment securities	43	(159,577)	134,251	(3,000)	6,264
Fair value gain/(loss) on FVTPL investment properties	43	124,270	(42,161)		
Fair value gain/(loss) on disposal of investment in subsidiaries		-			
Share of loss/(profit) of associate	14(a)	877	(13,925)		
		(28,051)	**37,278**	**349,273**	**(162,973)**
Changes in working capital:					
Loans and advances to customers		(137,540)	192,677	-	-
Advance under finance lease	50(ix)	129,370	32,369	-	-
Trade receivables	50(iii)	278,892	631,654	-	-
Re-insurance asset	50(iv)	692,317	287,202	-	-
Deferred acquisition cost		(72,021)	52,236	-	-
Other receivables and prepayment	50(ii)	171,143	259,692	126,357	(9,307)
Deferred income		28,912	(34,801)	-	-
Trade and other payables		1,752,662	573,256	-	-
Other liabilities		128,834	134,931	45,011	1,360,539
Depositors' funds	50(x)	(419,930)	(216,670)	-	-
Investment contract liabilities		11,459	(36,903)	-	-
Changes in unearned premium	50(vii)	264,199	(233,554)	-	-
Changes in provision for outstanding claims	50(vi)	(1,434,541)	184,576		
Changes in employee retirement benefits	50(i)	(33,474)	(37,731)	330	147
		1,332,230	**1,826,212**	**520,971**	**1,188,406**
Income tax paid	28(b)	(57,550)	(244,286)	(29,755)	(26,866)
Employee benefits paid	19(f)(i)	-	(2,738)	-	-
Interest expense paid	41	(200,489)	(1,473,892)	(223,744)	(1,370,069)
Net cash provided by operating activities		1,074,191	105,296	267,472	(208,529)

Cash flows from investing activities:

In thousands of Naira	Notes	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Purchases of property and equipment	17	(122,750)	(146,807)	(399)	(304)
Purchases of Right of Use Asset	17(b)	(14,253)		-	-
Purchase of intangible assets	18	(1,800)	(2,165)	-	-
Proceed from disposal of investment properties	15	270,000	-	-	-
Proceed from disposal of property and equipment		85,913	7,397	-	2,712
Proceed from changes in ownership interest in subsidiary		-	3,601,745	-	3,601,745
Proceed from redemption/disposal of investment securities	50(v)	2,291,354	2,951,937	850	(1,931)
Purchase of investment securities	50(v)	(4,758,045)	(2,448,783)	-	
Deposit for shares		-	-	-	3,000,000
Dividend received	50(ii)	181,051	-	(230,294)	810
Rent received	50(ii)	75,712	106,149	-	-
Net interest received		360,132	838,967	9,558	36,932
Fair value gain/(loss) on FVTPL investment securities		-		3,000	-
Net cash provided by investing activities		**(1,445,974)**	**4,908,440**	**(217,285)**	**6,639,964**

Cash flows from financing activities:

	Notes	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Repayment of borrowings	29	(8,204,412)	(19,968,840)	(8,225,588)	(20,055,189)
Proceeds from new borrowings	29	8,112,572	13,379,896	8,155,525	13,531,046
Repayment of finance lease		-	-	(14,633)	(60,633)
Net used in financing activities		**(91,840)**	**(6,588,944)**	**(84,696)**	**(6,584,778)**
Cash and cash equivalent at beginning of year		13,834,940	15,896,872	191,331	344,674
Effect of exchange rate fluctuations on cash and cash equivalents		(377,551)	(486,724)	-	-
Net increase in cash and cash equivalent		(650,333)	(1,575,208)	(34,507)	(153,343)
Cash and cash equivalent of the year	**5**	**12,807,056**	**13,834,940**	**156,824**	**191,331**

Group information and statement of accounting policies

1 Reporting Entity

The Company was incorporated as Royal Exchange Assurance (Nigeria) Plc, a private limited liability Company on 29 December 1969. It was converted to a public limited Company on 15 July 1989 and then listed on the Nigerian Stock Exchange on 3 December 1990. On 28 July 2008, the Company changed its name to Royal Exchange Plc and transferred its life and general insurance businesses to newly incorporated subsidiaries, Royal Exchange General Insurance Company Limited and Royal Exchange Prudential Life Plc respectively.

The Group currently comprises Royal Exchange Plc (Parent Entity), Royal Exchange General Insurance Company Limited, Royal Exchange Prudential Life Plc, Royal Exchange Finance and Asset Management Ltd, Royal Exchange Micro-Finance Bank Limited and Royal Exchange Healthcare Limited.

The principal activities of the Group are general and health insurance, life assurance, asset management, credit financing and microfinance banking.

The financial statements of the Group are as at and for the year ended 31 December 2020.

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

2 Basis of preparation

(a) These financial statements for the year ended 31 December 2020 have been prepared in accordance with, and comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act 2011, the Insurance Act of Nigeria and National Insurance Commission of Nigeria ("NAICOM") circulars.

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

(b) Functional and presentation currency
The financial statement is presented in Naira, which is the Group's functional currency. Financial information presented in Naira has been rounded to the nearest thousands except where otherwise indicated.

(c) Basis of measurement
These consolidated and separate financial statements have been prepared on a historical cost basis except for the following items:

(i) Carried at fair value:

- financial instruments at fair value through profit or loss (FVTPL);
- financial instruments at fair value through other comprehensive income (FVTOCI);
- investment properties;
- plan assets for defined benefits obligations

(ii) Carried at amortized cost:

- loans and receivables;
- held to collect financial instruments;
- financial liabilities at amortized cost;

(iii) Carried at a different measurement basis

- Retirement benefit obligations are measured in terms of the projected unit credit method;
- Insurance contract liabilities are measured using a gross premium valuation approach for individual and group life risk business while discounted cashflows approach are used for measuring annuity and the risk reserve for individual deposit based businesses.

(d) Reporting period

The financial statements have been prepared for a 12-month period.

(e) Use of estimates and judgment

In preparing these financial statements in conformity with the International Financial Reporting Standard (IFRS) which requires the use of certain critical accounting estimates, management has made judgements, estimates and assumptions that affect the application of the Group'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 recognized prospectively.

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

(f) Going concern (Solvency Deficit)

As of 31 December 2020, a major subsidiary of the Group recorded a loss after tax of =N=478.431 million (2019: =N=77.12million). As of the same date, a subsidiary's total admissible assets less net insurance and investment contract liabilities amounted to a solvency deficit of =N=2.793 billion (2019: =N=352 million).

These conditions as set forth, indicate the existence of a material uncertainty that may cast significant doubt on the company and the group's ability to continue as a going concern.

In order to overcome the deficit at the subsidiary level, the Directors of the company are planning to:

- **Royal Exchange Plc** – Cash injection via equity investment from proposed investor on or before Q4, 2021. The Company will also expand its assets management drive to generate more revenue for the company. The directors have also embarked on a restructuring exercise of the Holdco aimed at cost optimization and increased productivity; this has already started yielding results.

- **Royal Exchange Prudential Life Plc** – Injection of more capital and funds into the business via equity investment from proposed two investors and sale of the company's investments which includes investment property located at Cadastral zone in FCT, Abuja at a proceed price of =N=1.6 billion to a prospective buyer and thereafter the sales proceed would be re-invested in fixed income securities. The following action plans have also been set forth whose implementation have already commenced.

    a) Strict compliance with risk profiling of new policies/renewals on existing policies portfolio and a resolve to exit from toxic Group life businesses.

    b) The company has embarked on full digitization through the deployment of an ERP - IES insurance solution to drive internal processes and efficiency. Also, the full digitization to drive risk-based retail products. This will translate to more revenue with less cost of acquisition.

Group information and statement of accounting policies

- **Royal Exchange HealthCare Ltd** – The Directors of the company are proposing to dilute their shareholding interest. A prospective investor has been engaged.

- **Royal Exchange Microfinance Bank Limited** – Capital injection by owners of the company and a possible injection with a proposed investor. The Directors of the company are engaging equity investors for capital injection to enable the bank to surpass the minimum regulatory capital required by the Central Bank of Nigeria. The bank is currently undergoing a digitization exercise to properly position it in the digital economic space, taking advantage of varying opportunities in the online world.

The remaining two subsidiaries within the group, Royal Exchange General Insurance Company Limited and Royal Exchange Finance Company Limited are profitable and the Directors of the companies were still engaging equity investors for capital injection in order to be more solvent.

Based on the fore going, the Directors believe the entire group to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements are prepared on the going concern basis.

(g) Changes in accounting policies and disclosures

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

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

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

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

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

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification.

A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

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

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

Group information and statement of accounting policies

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

i(a) Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

i(b) Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

The Group acquired a new business during the year, the amendment did not have any material impact on the Group financial statements.

i(c) Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

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

Group information and statement of accounting policies

ii(a) Amendments to IAS 1 and IAS 8: Definition of material

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

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

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group given that it does not applies hedge accounting to its benchmark interest rate exposures.

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

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

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

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) as it did not receive any COVID-19 related rent concession on its leases.

iii Standards, amendments and interpretations issued but not yet effective

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

Group information and statement of accounting policies

iii(a) IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

Group information and statement of accounting policies

iii(d) Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

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

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

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

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

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

Group information and statement of accounting policies

iv Annual Improvements to IFRS Standards 2018 - 2020
The Annual Improvements include amendments to four Standards.

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

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

iv(b) IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

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

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

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

3 Summary of Significant Accounting Policies
The Group consistently applied the following accounting policies to the periods presented in the financial statements

(a) Consolidation
The consolidated and separate financial statements incorporate the financial statements of the Group and its subsidiaries. Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Group information and statement of accounting policies

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

Group information and statement of accounting policies

Changes in the Company's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Disposal of subsidiaries
When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Transactions eliminated on Consolidation
Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

a (i) Business Combination
The Group applies IFRS 3 Business Combinations in accounting for business combinations. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit or loss immediately.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred, which is generally measured at fair value; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Group information and statement of accounting policies

Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.
If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees(acquiree's awards) and relate to past services , then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

a (ii) Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Groups' interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

a (iii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. The Group financial statements incorporates the assets, liabilities and results of; Royal Exchange General Insurance Company Limited, Royal Exchange Prudential Life Plc, Royal Exchange Microfinance Bank, Royal Exchange Healthcare Limited and Royal Exchange Finance and Asset Management Limited. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

a(iv) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.
Investments in associates are accounted for using the equity method of accounting. They are initially recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss; its share of post-acquisition movements is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognized in the consolidated profit or loss.

a(v) Loss of control

When the Group loses control over a subsidiary, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Group information and statement of accounting policies

a(vi) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

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

The group consolidated and separate financial statements are presented in Nigerian Naira which is the functional and presentation currency of Royal Exchange Plc.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date and those measured at fair value are translated at the exchange rate at the date that the fair value was measured.

Exchange rate differences on non-monetary items such as property and equipment. prepayment, intangible assets are accounted for based on the classification of the underlying items.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss).
- Fair value through other comprehensive income debt securities investments, in which case foreign currency differences on the fair value difference are recognized in OCI.

(c) 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 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 Group to manage its short - term commitments.

Subsequent to initial recognition, cash and cash equivalents are carried at amortized 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.
Interest income on cash and cash equivalents is recorded in net interest income in profit or loss.

(d) Financial Instruments

(i) Measurement methods

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

Group information and statement of accounting policies

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses, but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

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

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that are not originated credit impaired but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the interest rate to their amortized cost (i.e. net of expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset.

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

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

d(ii) Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

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

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

i) **amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 3(d)(i). Interest income from these financial assets is included in 'Net interest income' using the effective interest rate method.

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

Group information and statement of accounting policies

iii) **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net fair value gain/(loss) on assets' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Investment and other income'. Interest income from these financial assets is included in 'Net interest income' using the effective interest rate method.

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

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

The Group subsequently measures all equity investments at fair value through profit or loss, except where the company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are not quoted in an active market and where those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the company's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net fair value gain/(loss) on assets' line in the statement of profit or loss.

ii) Impairment
The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial assets carried at amortized cost. The Company recognises a loss allowance for such assets at each reporting date. The measurement of ECL reflects:

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

iii) Modification of loans
he Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

Where the terms are substantially different, the Company derecognises the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

Where the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for originated credit-impaired financial assets).

iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

(e) Impairment of other non-financial assets

At the end of each reporting period, the Group 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 Group 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 Group 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.

(f) Reinsurance Assets

The Group 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 Group from its direct obligations to its policyholders.

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

Reinsurance assets are assessed for impairment at each reporting date. If there is reliable objective evidence that a reinsurance asset is impaired as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group 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 Group will receive from the reinsurer.

The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated and recognized following the same method used for financial assets.
The Group 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.

(g) 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 amortized in the income statement systematically over the life of the contracts at each reporting date.

(h) Other Receivables and Prepayments

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

Prepayment are essentially prepaid rents and staff upfront payments. Other receivables are carried at amortized cost less accumulated impairment losses. Other receivables balances include dividend receivable and accrued rental income.

(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.

Group information and statement of accounting policies

Recognition and measurement
Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost, including all transaction costs.

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

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

Transfers
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group 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 Group 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 separate items (major components) of property and equipment.

Subsequent costs
Subsequent expenditures are recognized in the carrying amount of the asset or as a separate asset as appropriate if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The costs of the day-to-day 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.

Group information and statement of accounting policies

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

Leasehold land		Over the lease period
Buildings		50 years
Generators		7 years
Furniture and Fittings		5 years
Computer Equipment		4 years
Motor vehicles	- New	4 years
	- Salvage	3 years
Finance Lease		4 years

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

(k) Intangible Assets

Software expenditure
An internally generated intangible asset arising from the Group's software development is recognized if and only if all the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Acquired computer software
Acquired computer software licenses are capitalized on the basis of the cost 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. Cost associated with maintaining computer software programmes are recognized as an expense as incurred.

Group information and statement of accounting policies

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

An intangible asset shall be derecognized by the Group 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 recognized.

(l) Taxation

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.

Current income taxes

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely income tax (based on taxable income (or loss) for the year; and Minimum tax (determined based on the sum of the highest of 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid-up share capital and 0.5% of net assets and 0.125% of revenue in excess of N500,000). Taxes based on taxable profit for the period are treated as current income tax in line with IAS 12; whereas taxes which is based on gross amounts is outside the scope of IAS 12 and therefore are not treated as current income tax.

Where the minimum tax is higher than the Company Income Tax (CIT), a hybrid tax situation exits. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above income tax line as minimum tax.

The Group Income tax expense and payable is the sum of the individual tax expense and payable under the various tax laws governing each of the subsidiaries of the Group and the Company.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Group'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 Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

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

Deferred tax

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

Group information and statement of accounting policies

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 assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable differences is insufficient to recognize the deferred tax asset in full, then future taxable profits adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; these reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future

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 Group 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 Group if it goes into liquidation. Statutory deposits are measured at cost.

(n) Borrowings

Borrowings by way of bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Borrowings have been measured in line with the Group's accounting policy for financial instruments (see note 3(d)).

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.

Group information and statement of accounting policies

(o) Deferred income

Deferred income comprises deferred rental income and deferred commission.

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

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

(p) Provisions and other liabilities

Provisions

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

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

Other liabilities

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

(q) Finance and operating lease obligations

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

Lease assets - lessee

Assets held by the Group under leases that transfer to the Group 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 recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Lease assets - lessor

If the Group 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 recognized and presented within loans and advances

Group information and statement of accounting policies

(r) Insurance Contract Liabilities

r(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 Group only enters into insurance contracts. Therefore, its insurance contract liabilities represent the Group'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 recognized 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 recognized. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to the statement of profit or loss by increasing the carrying amount of the related insurance liabilities.

The Liability Adequacy Test (LAT) was carried out by Ernst & Young (Consultant Actuaries) under the supervision of Mr.O.O Okpaise with FRC number (FRC/2012/NAS/00000000738).

Insurance contract with discretionary participating features (DPF)

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

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

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

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

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

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

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

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

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.

(s) 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 Group 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.

Group information and statement of accounting policies

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.

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

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

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognized when the claims become due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

(t) Investment contract liabilities
Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. The investment contract comprises of the Royal Policy Product, (RPP), the Royal Insurance Savings Account (ISA) and the Deposit Administration (DA).
Amounts collected from investment linked contracts with no discretionary participating features are reported as deposits (i.e. as investment contract liabilities) in the statement of financial position. Interest, usually agreed with clients, is credited per annum to each account holder and the amount expensed to statement of profit or loss. Payment of benefits are treated as withdrawal (reduction) from the balance standing in the credit account of the client.

(u) Employee Benefits liabilities

u(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 Group.

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

u(ii) Defined Contribution Plans
The Group operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2014. The Group contributes 10% and employees contribute 8% each of the qualifying monthly emoluments in line with the Pension Reform Act.

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

Group information and statement of accounting policies

The Group pays contributions to privately administered pension fund administration on a monthly basis. The Group 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 recognized as an expense when employees have rendered service entitling them to the contributions.

u(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 Group 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.

u(iv) Pension

The Group 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 Group, the recognized 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 recognized immediately in OCI. The Group 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 recognized 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 recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

u(v) Other Long-term benefits

The Group 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 (Logic Professional Services) under the supervision of Mr Ganiu Shefiu with FRC number (FRC/2017/NAS/00000017548) using the projected unit credit method.

Group information and statement of accounting policies

Remeasurements of the obligation, which comprise actuarial gains or losses, are recognized 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 recognized in profit or loss.

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

v Capital and Reserves

v(i) Share capital

The equity instruments issued by the Group 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 Group are recognized as the proceeds are received, net of direct issue costs. Repurchase of the Group'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 Group's own equity instruments.

v(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) Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares.
Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

v(iii) Contingency reserve

The Group 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 Group 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.

In compliance with the regulatory requirements in respect of Contingency Reserve for Life business, the Company maintains contingency reserve at the rate equal to the higher of 1% of gross premium or 10% of the net profit accumulated until it reaches the amount of the minimum paid up capital.

v(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(v) Fair value reserves

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

v(vi) Regulatory risk reserve

The regulatory risk reserves warehouse the difference between the impairment of loans and advances under the Nigeria GAAP and Central Bank of Nigeria prudential guidelines and the loss incurred model used in calculating the impairment balance under IFRS.

v(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.

v(viii) Treasury shares

Where the Company or any member of the Group purchases the Company's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

v(ix) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Group'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.

(w) Revenue Recognition

w(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 Group 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.

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

Outward facultative premiums and reinsurance premiums ceded are accounted for in the same accounting period as the premiums for the related direct insurance or facultative business assumed.
The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

w(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.

Group information and statement of accounting policies

w(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.

w(iv) Interest income

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

The effective interest method is a method of calculating the amortized 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 Group 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

w(v) Investment Income

Investment income consists of dividends, realized gains and losses as well as unrealized gains and losses on financial instruments.

w(vi) Dividend income

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

w(vii) Realized gains and losses 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 original or amortized cost and are recorded on occurrence of the sale transaction.

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

w(viii) 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.

Group information and statement of accounting policies

x Expense Recognition

x(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 Group 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.

x(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.

x(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.

y Segment reporting

Operating segments are identified and reported in consonance with the internal reporting policy of the Group that are regularly reviewed by the Chief Executive (being the chief operating decision maker) who allocates resources to the segment and assesses their performance thereof.

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

- Non-life insurance - (Royal Exchange General Insurance Company Limited);
- Life insurance - (Royal Exchange Prudential Life Assurance Plc);
- Financial services - (Royal Exchange Micro-Finance Bank Limited);
- Healthcare - (Royal Exchange Healthcare Limited); and
- Asset Management (Royal Exchange Finance Company Ltd).

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

Group information and statement of accounting policies

z Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

aa Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that results in the holding and placing of assets on behalf of clients and oversight functions over certain funds. The value of the assets held on behalf of clients as at reporting date are excluded from the statement of financial position of the Group as they are not assets of the Group, but are disclosed in the financial statements (see Note 61). The carrying value of the assets under custody were determined as follows:

- Cash and cash equivalents are carried at amortized cost.
- Loans and receivables and Held-to maturity investments are carried at amortized cost.
- Other Liabilities are measured at amortized cost using the effective interest rate method.

Fees and commissions earned from providing such services are generally recognized on an accrual basis in the statement of profit and loss in line with the agreement between the Group and the party for which the Group holds its assets.

4 Critical accounting estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

A Judgements

Management applies its judgement to determine whether the indicators set out in Note 3(a)(iv) indicate that the Group has significant influence over 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 Group holds a direct interest of 26% in CBC EMEA. Management has considered the fact and circumstances, including the representation of the Company on the board of CBC EMEA and has concluded that the Group has significant influence over CBC EMEA and the entity is an associate of the Group.

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 2020 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

(i) Deferred tax assets

Recognized deferred tax assets (see note 21) 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 realization taking into account management's estimates of future taxable profits. In determining estimates of future taxable profit against which deductible amount can be utilized, management has considered the existence of taxable temporary differences that will reverse in the same year that deductible amounts will reverse.

Group information and statement of accounting policies

Management's estimate of future taxable profits has been determined on the basis of a five-year profit forecast. Management affirms that assumptions underlying the five-year forecast is reasonable given the Group's restructured operations and there are no objective indicators to suggest that the projected earnings level will not be achieved.

(ii) 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 recognized 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.

(iii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 53(c)(a)(ii)(a), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

(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 15 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 Group 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 19.

(vi) Current income tax

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due and based on its assessment of the applicable tax regulations.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Group information and statement of accounting policies

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 Group 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 realizable values. Management's judgement is also required when assessing whether a previously recognized impairment loss should be reversed.

(viii) Depreciation, amortization and the 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 property and equipment will have an impact on the carrying value of these items. Depreciation and amortization are recognized on the basis described in accounting policies note 3(j) and 3(k).

Notes to the Financial Statements

	In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
5	**Cash and cash equivalents**				
	Cash	7,093	4,772	90	57
	Bank balances	888,509	1,787,666	49,980	37,360
	Short-term deposits (including demand and time deposits)	11,913,370	12,078,386	106,824	156,630
	Impairment allowance on short term deposits	(1,916)	(35,884)	(71)	(2,716)
	At 31 December	**12,807,056**	**13,834,940**	**156,823**	**191,331**

(i) Short–term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group.

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

(ii) The balance represents amount used as integral part of the Group's cash management.

6 Loans and advances to customers

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Term loan	1,325,341	1,176,521	-	-
Impairment Allowance	(281,243)	(269,963)	-	-
At 31 December	**1,044,098**	**906,558**	**-**	**-**

(a) The movements in impairment allowance on loans and advances to customers is analyzed below;

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	269,963	268,931	-	-
Impairment allowance recognized during the year	11,280	1,032	-	-
At 31 December	281,243	269,963	-	-
Within one year	1,044,098	906,558	-	-
More than one year	-	-	-	-
	1,044,098	906,558	-	-

7 Advances under finance lease

Gross investment in finance lease	108,201	240,571	-	-
Impairment allowance (see note 7(a) below)	(20,000)	(23,000)	-	-
	88,201	**217,571**	**-**	**-**

(a) The movements in impairment allowance on advance under lease is analyzed below;

At 1 January	23,000	23,000	-	-
Write back of impairment	(3,000)	-	-	-
At 31 December	20,000	23,000	-	-
Within one year	32,313	12,008	**-**	**-**
More than one year	55,888	205,563	**-**	**-**
	88,201	217,571	-	-

Notes to the Financial Statements

8 Investment securities

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Fair value through profit or loss (FVTPL) (see note 8(a) below)	1,162,188	977,317	21,508	18,508
Fair value through Other Comprehensive Income (FVOCI) (see note 8(b) below)	4,738,350	2,492,584	-	
Amortised cost (see note 8(c) below)	210,738	174,684	1,096	4,946
At 31 December	**6,111,276**	**3,644,585**	**22,604**	**23,454**
Within one year	350,082	475,763	1,096	4,946
More than one year	5,761,194	3,168,822	21,508	18,508
	6,111,276	**3,644,585**	**22,604**	**23,454**

(a) Fair value through profit or loss (FVTPL)

Listed equities	**1,162,188**	**977,317**	**21,508**	**18,508**

(b) Fair value through Other Comprehensive Income (FVOCI):

Federal government bonds	3,825,887	358,821	-	-
Treasury bills	241,128	345,212	-	-
Unlisted equities at cost	684,362	616,230	-	-
Bonds: Annuity fund	-	1,187,960	-	-
Specific impairment allowance (see note 8(ii) below)	(13,027)	(15,639)	-	-
	4,738,350	2,492,584	-	-

(i) The Group's Fair Value Through Other Comprehensive Income financial assets includes investment in listed and unlisted equities. Unlisted equities are carried at cost less impairment allowance as the fair value could not be determined reliably. Listed available for sale equities are measured at fair value using the quoted prices in active markets and fair value changes recognized in other comprehensive income. The investments were assessed for impairment as at year end.

(ii) The movements in ECL impairment allowance on listed and unlisted equities classified as FVTOCI is analyzed below:

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	15,639	5,446	-	-
Impairment/(write back) allowance recognized during the year	(2,612)	10,193	-	-
At 31 December	13,027	15,639	-	-

(c) Amortized cost

Treasury bills	11,096	14,972	1,096	4,972
Staff Personal Loan	-	295	-	-
Staff mortgage loans	107,202	53,161	-	-
Staff Car Loan	-	1,000	-	-
Policy holders' loan	96,212	106,706	-	-
Placement with financial institutions	1,646	8,873	-	-
Specific impairment allowance	(5,418)	(10,323)	0.1	(26)
	210,738	174,684	1,096	4,946

9 Investment in subsidiaries

Royal Exchange General Insurance Company Limited	-	-	3,748,065	3,748,065
Royal Exchange Prudential Life Assurance Plc.	-	-	3,865,833	3,865,833
Royal Exchange Finance Company Limited	-	-	777,802	777,802
Royal Exchange Healthcare Company Limited	-	-	151,669	151,669
Royal Exchange Microfinance Bank Limited	-	-	106,205	106,205
	-	-	8,649,574	8,649,574
Allowance for Impairment	-	-	(80,923)	(80,923)
	-	-	8,568,651	8,568,651

(a) Movement in gross investment in subsidiaries

At 1 January	-	-	8,649,574	11,070,913
Disposals	-	-	-	(2,421,339)
Additions (see note 9(a)(i) below)	-	-	-	-
At 31 December	-	-	8,649,574	8,649,574

Notes to the Financial Statements

(i) The subsidiary companies comprise of the following:

Name of Entity	Nature of business	Year end	31-Dec-20	31-Dec-19
Royal Exchange General Insurance Company Limited	Non-Life Insurance	31-Dec	60.75	60.75
Royal Exchange Prudential Life Assurance Plc	Life Insurance	31-Dec	99.90	99.90
Royal Exchange Finance Company Limited	Credit Financing	31-Dec	99.90	99.90
Royal Exchange Healthcare Company Limited	Health insurance	31-Dec	29.84	29.84
Royal Exchange Microfinance Bank Limited	Microfinance Bank	31-Dec	53.00	53.00

All subsidiaries are incorporated in Nigeria.

Indirect holdings
The Company indirectly owns shares in Royal Exchange Healthcare Company Limited and Royal Exchange Microfinance Bank through some of its wholly owned subsidiaries as listed below:

Holdings	Royal Exchange Healthcare Company Limited	Royal Exchange Microfinance Bank Limited
Royal Exchange General Insurance Company Limited	33.00	14.60
Royal Exchange Prudential Life Assurance Plc	37.16	21.60
Royal Exchange Finance Company Limited	-	10.80
	70.16	47.00
Direct Holding by the company	29.84	53.00
	100.00	100.00

(i) This represents the Company's 60.75% (2019: 60.75%) shareholdings in Royal Exchange General Company Limited, a Nigerian registered company involved in general insurance business.

(ii) This represents the Company's 99.9% (2019: 99.9%) shareholdings in Royal Exchange Prudential Life Assurance Plc., a Nigerian registered company involved in life insurance business.

(iii) This represents the Company's 99.9% (2019: 99.9%) shareholdings in Royal Exchange Finance Company Limited, a Nigerian registered company involved in the business of finance, financial advisory, fund management, leasing and investment management. The investment which has been carried at cost was impaired, based on management judgement, by the sum of N80.9million in 2011.

(iv) This represents the Company's 29.84% (2019: 29.84%) shareholdings in Royal Exchange Healthcare Limited, a Nigerian registered company involved in the business of healthcare insurance service. The balance of 70% is owned by Royal Exchange General Company Limited and Royal Exchange Prudential Life Assurance Plc., two fully owned subsidiaries of the Company.

(v) This represents the Company's 53% (2019: 53%) shareholdings in Royal Exchange Microfinance Bank Limited, a Nigerian registered company involved in the business of microfinance banking.

(b) The condensed financial data of the consolidated entities as at 31 December 2020, are as follows:

(i) **Condensed statement of profit or loss for the year ended 31 December 2020**

In thousands of Naira	**Group balances**	**Elimination entries**	**Gross amount**	**Royal Exchange Plc**	**Royal Exchange General Insurance**	**Royal Exchange Prudential Life Plc**	**Royal Exchange Finance Company Ltd.**	**Royal Exchange Microfinance Bank**	**Royal Exchange Healthcare**
Gross premium income	15,028,557	(79,720)	15,108,280	-	11,572,072	3,304,183	-	-	232,025
Reinsurance expenses	(6,837,044)		(6,837,044)	-	(6,296,278)	(540,766)	-	-	-
Net premium income	8,191,513	(79,720)	8,271,236	-	5,275,794	2,763,417	-	-	232,025
Fee and commission income	663,205	-	663,205	-	568,041	95,164			-
Net underwriting Income	8,854,718	(79,720)	8,934,441	-	5,843,835	2,858,581	-	-	232,025
Total underwriting expenses	(7,738,881)	-	(7,738,883)	-	(4,395,062)	(3,103,563)	-	-	(240,258)
Underwriting profit	1,115,837	(79,720)	1,195,558	-	1,448,773	(244,981)	-	-	(8,233)
Share of (loss) on investment in associate	(877)	12,426	(13,303)	-	(13,303)	-	-	-	-
Impairment allowance	(253,989)	-	(253,989)	(44,308)	(265,652)	92,370	(8,062)	(3,104)	(25,233)
Investment and other income	1,466,163	(375,779)	1,841,944	168,422	984,069	358,390	163,047	94,443	73,573
Foreign exchange gain	73,318		73,318	-	68,556	625	-	-	4,137
Net income	2,400,452	(443,073)	2,843,529	124,114	2,222,443	206,403	154,985	91,339	44,244
Total expenses	(2,270,412)	223,212	(2,493,624)	(273,638)	(1,198,342)	(682,757)	(153,122)	(89,008)	(96,757)
Profit/(Loss) before tax	130,040	(219,861)	349,905	(149,524)	1,024,101	(476,353)	1,863	2,331	(52,513)
Minimum tax	(1,595)	-	(1,595)	(419)	-	(610)	-	-	(566)
Income tax expense	(205,561)	-	(205,561)	-	(230,521)	(1,468)	1,970	(701)	25,159
Profit/(Loss) after taxation	(77,116)	(219,861)	142,748	(149,943)	793,580	(478,431)	3,833	1,630	(27,920)

Notes to the Financial Statements

Condensed Statement of financial position as at 31 December 2020

In thousands of Naira	Group balances	Consolidation entries	Gross amount	Royal Exchange Plc	Royal Exchange General Insurance	Royal Exchange Prudential Life Plc	Royal Exchange Finance Company Ltd.	Royal Exchange Microfinance Bank	Royal Exchange Healthcare
ASSETS									
Cash and cash equivalents	12,807,056	(681,445)	13,488,502	156,824	9,777,898	2,925,885	397,730	122,898	107,267
Loans and advances to customers	1,044,098	(194,537)	1,238,634	-	-	-	1,038,749	199,885	-
Advances under finance lease	88,201	(96,605)	184,806	-	-	-	184,806	-	-
Financial assets	6,111,276	(20,586)	6,131,860	22,604	5,139,048	736,146	12,382	10,000	211,680
Investment in subsidiaries	-	(8,568,651)	8,568,651	8,568,651	-	-	-	-	-
Trade receivables	136,091	-	136,091	-	69,468	44,975	-		21,648
Reinsurance assets	2,195,156	-	2,195,156	-	1,744,049	451,107	-	-	-
Deferred acquisition cost	281,416	-	281,417	-	225,256	55,191	-	-	970
Other receivables and prepayments	471,550	(1,625,668)	2,097,217	219,712	1,218,453	514,026	97,551	41,551	5,924
Investment in associates	226,343	(525,293)	751,635	-	453,145	283,217	15,273	-	-
Investment properties	5,635,991	-	5,635,991	-	3,856,706	1,368,484	-	-	410,800
Right of Use Asset	10,089	(121,201)	131,292	8,466	71,472	51,354	-	-	-
Property and equipment	1,381,745	124,408	1,257,339	774	1,130,784	109,943	8,147	4,990	2,702
Intangible assets	5,133	-	5,133	-	0	0	4,408	1	723
Employees retirement benefits	257,168	-	257,168	-	257,168	-	-	-	-
Statutory deposits	555,000	-	555,000	-	340,000	215,000	-	-	-
Deferred tax assets	193,968	-	193,968	-	-	-	-	-	193,968
Assets classified as held for sale	973,639	-	973,639	-		973,639	-	-	-
Total assets	32,373,917	(11,709,577)	44,083,498	8,977,030	24,283,447	7,728,968	1,759,046	379,325	955,682
LIABILITIES									
Borrowings	2,184,877	(194,536)	2,379,412	2,313,544	32,699	-	-	27,681	5,488
Deferred income	138,244	-	138,244	-	138,244	-	-	-	-
Trade payables	7,909,847	-	7,909,847	-	7,739,026	170,821	-	-	-
Other liabilities	1,864,280	(1,724,471)	3,588,755	2,073,331	1,109,902	153,121	37,697	12,850	201,854
Depositors' funds	1,364,220	(82,642)	1,446,862	-	-	-	1,226,810	220,052	-
Insurance contract liabilities	9,798,690	-	9,798,690	-	4,042,104	5,576,844	-	-	179,742
Investment contract liabilities	276,980	-	276,979	-	-	276,979	-	-	-
Finance Lease Obligations	-	(96,605)	96,605	16,833	55,703	24,068			
Current income tax liabilities	650,203	-	650,204	254,511	388,492	610	3,692	1,241	1,658
Employees benefit liability	41,335	-	41,333	1,656	26,893	7,723	1,738	873	2,450
Deferred tax liabilities	610,101	-	610,101	-	528,144	52,227	-	-	29,730
Total liabilities	24,838,776	(2,098,253)	26,937,030	4,659,875	14,061,207	6,262,393	1,269,937	262,697	420,922
EQUITY									
Share capital	2,572,685	(9,516,687)	12,089,372	2,572,685	5,366,667	3,461,339	217,888	70,793	400,000
Share premium	2,690,936	(2,096,630)	4,787,566	2,690,936	802,737	404,494	559,914	101,817	227,668
Contingency reserve	2,291,372	(863,964)	3,155,337	-	2,844,511	285,062	-	-	25,764
Treasury shares	(500,000)	(500,000)	-	-	-	-	-	-	-
Retained earnings	(4,051,382)	(205,208)	(3,846,174)	(948,352)	709,711	(2,730,548)	(682,178)	(70,877)	(123,930)
Other component of equity	658,821	(301,544)	960,367	1,887	498,614	46,228	393,485	14,895	5,258
Capital and reserves attributable to owners	3,662,432	(13,484,033)	17,146,468	4,317,156	10,222,240	1,466,575	489,109	116,628	534,760
Non-controlling interests	3,872,709	3,872,709	-	-	-	-	-	-	-
Total Equity	7,535,141	(9,611,324)	17,146,468	4,317,156	10,222,240	1,466,575	489,109	116,628	534,760
Total equity & liabilities	32,373,917	(11,709,578)	44,083,498	8,977,030	24,283,447	7,728,968	1,759,046	379,325	955,682

Notes to the Financial Statements

The condensed financial data of the consolidated entities as at 31 December 2019, are as follows

(ii) **Condensed statement of profit or loss for the year ended 31 December 2019**

In thousands of Naira	**Group balances (Restated)**	**Elimination entries**	**Gross amount**	**Royal Exchange Plc**	**Royal Exchange General Insurance**	**Royal Exchange Prudential Life Plc (Restated)**	**Royal Exchange Finance Company Ltd.**	**Royal Exchange Microfinance Bank**	**Royal Exchange Healthcare**
Gross premium income	14,441,432	(58,365)	14,499,797	-	10,868,351	3,311,161	-	-	320,285
Reinsurance expenses	(5,724,505)	-	(5,724,505)	-	(5,389,854)	(334,651)	-	-	-
Net premium income	8,716,927	(58,365)	8,775,292	-	5,478,497	2,976,510	-	-	320,285
Fee and commission income	479,688	-	479,688	-	415,546	64,142			-
Net underwriting Income	9,196,615	(58,365)	9,254,980	-	5,894,043	3,040,652	-	-	320,285
Total underwriting expenses	(8,283,620)	-	(8,283,620)	-	(4,747,814)	(3,259,871)	-	-	(275,937)
Underwriting profit	912,995	(58,365)	971,360	-	1,146,229	(219,219)	-	-	44,350
Share of profit on investment in associate	13,925	(173)	14,097	-	14,097	-	-	-	-
Charge of impairment allowance	(356,614)	-	(356,614)	(74,934)	(133,365)	(52,461)	8,577	(2,124)	(102,307)
Investment and other income	707,427	(1,375,511)	2,082,938	39,105	940,525	693,619	180,892	92,639	136,158
Foreign exchange gain	64,554		64,554	-	67,744	(2)	-	-	(3,188)
Net income	1,342,287	(1,434,049)	2,776,336	(35,829)	2,035,230	421,937	189,469	90,515	75,013
Total expenses	(2,355,298)	256,679	(2,611,977)	(379,826)	(1,060,587)	(794,783)	(181,185)	(87,096)	(108,500)
(Loss)/Profit before tax	(1,013,011)	(1,177,370)	164,359	(415,655)	974,643	(372,846)	8,284	3,419	(33,487)
Minimum tax	(9,278)	-	(9,278)	(7,137)	-	(647)	-	-	(1,494)
Income tax expense	(290,527)		(290,527)	-	(319,938)	(565)	(4,601)	(928)	35,505
(Loss)/Profit after taxation	(1,312,816)	(1,177,370)	(135,446)	(422,792)	654,705	(374,058)	3,683	2,491	524

Notes to the Financial Statements

Condensed Statement of financial position as at 31st December 2019

In thousands of Naira	**Group balances**	**Consolidation entries**	**Gross amount**	**Royal Exchange Plc**	**Royal Exchange General Insurance**	**Royal Exchange Prudential Life Plc (Restated)**	**Royal Exchange Finance and Asset Management**	**Royal Exchange Microfinance Bank**	**Royal Exchange Healthcare**
ASSETS									
Cash and cash equivalents	13,834,940	(902,794)	14,737,734	191,331	10,619,459	2,971,849	722,178	136,148	96,769
Loans and advances to customers	906,558	(173,100)	1,079,658	-	-	-	918,215	161,443	-
Advances under finance lease	217,571	(155,304)	372,875	-	-	-	372,875	-	-
Financial assets	3,644,586	(20,583)	3,665,169	23,454	1,412,190	1,984,454	11,278	10,000	223,792
Investment in subsidiaries	-	(8,568,651)	8,568,651	8,568,651	-	-	-	-	-
Trade receivables	118,392	-	118,392	-	53,836	6,925	-		57,631
Reinsurance assets	2,887,473	-	2,887,472	-	2,235,297	652,175	-	-	-
Deferred acquisition cost	209,395	-	209,396	-	162,489	45,661	-	-	1,246
Other receivables and prepayments	564,586	(1,248,643)	1,813,229	390,376	882,465	411,040	83,938	44,730	680
Investment in associates	227,220	(520,792)	748,011	-	449,521	283,217	15,273	-	-
Investment properties	6,040,461	-	6,040,460	-	4,275,855	1,353,805	-	-	410,800
Property and equipment	1,437,131	168,747	1,268,385	3,390	1,137,844	110,366	6,800	8,133	1,852
Right of Use Asset	15,764	(165,539)	181,303	18,460	76,896	85,947	-	-	-
Intangible assets	9,830	-	9,830	-	0	172	8,354	1	1,302
Employees retirement benefits	295,649	-	295,649	-	295,649	-	-	-	-
Statutory deposits	555,000	-	555,000	-	340,000	215,000	-	-	-
Deferred tax assets	168,810	-	168,810	-	-	-	-	-	168,810
Assets classified as held for sale	973,639	-	973,639	-		973,639	-	-	-
Total assets	32,107,005	(11,586,659)	43,693,663	9,195,662	21,941,502	9,094,250	2,138,912	360,455	962,882
LIABILITIES									
Borrowings	2,276,717	(173,100)	2,449,817	2,383,607	29,030	-	-	27,053	10,127
Deferred income	109,332	-	109,332	-	109,332	-	-	-	-
Trade payables	6,157,185	-	6,157,185	-	5,998,661	158,524	-	-	-
Other liabilities	1,735,444	(1,619,172)	3,354,616	2,028,316	734,950	396,347	23,343	17,090	154,568
Depositors' funds	1,784,150	(35,253)	1,819,403	-	-	-	1,619,878	199,525	-
Insurance contract liabilities	10,969,033	-	10,969,033	-	4,591,292	6,180,545	-	-	197,196
Investment contract liabilities	265,521	-	265,521	-	-	265,521	-	-	-
Finance Lease Obligations	-	(155,304)	155,304	31,467	63,927	59,910			
Current income tax liabilities	588,690	-	588,690	283,847	293,033	647	7,600	1,187	2,376
Employees benefit liability	39,251	-	39,251	1,418	24,750	7,401	2,810	892	1,980
Deferred tax liabilities	565,092	-	565,092	-	484,603	50,759	-	-	29,730
Total liabilities	24,490,415	(1,982,829)	26,473,243	4,728,655	12,329,578	7,119,655	1,653,631	245,747	395,977
EQUITY									
Share capital	2,572,685	(9,516,687)	12,089,372	2,572,685	5,366,667	3,461,339	217,888	70,793	400,000
Share premium	2,690,936	(2,096,630)	4,787,566	2,690,936	802,737	404,494	559,914	101,817	227,668
Contingency reserve	1,899,998	(863,965)	2,763,963	-	2,488,463	252,285	-	-	23,215
Treasury shares	(500,000)	(500,000)	-	-	-	-	-	-	-
Retained earnings	(3,240,315)	(67,762)	(3,172,553)	(798,409)	692,018	(2,219,341)	(686,168)	(67,163)	(93,490)
Other component of equity	560,112	(191,960)	752,072	1,795	262,037	75,819	393,647	9,261	9,513
Total equity	3,983,416	(13,237,004)	17,220,420	4,467,007	9,611,922	1,974,596	485,281	114,708	566,906
Non-controlling interests	3,633,174	3,633,174	-	-	-	-	-	-	-
Total Equity	7,616,590	(9,603,830)	17,220,420	4,467,007	9,611,922	1,974,596	485,281	114,708	566,906
Total equity & liabilities	32,107,005	(11,586,659)	43,693,663	9,195,662	21,941,500	9,094,251	2,138,912	360,455	962,883

Notes to the Financial Statements

10 Trade receivables

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Due from agents (see note 10(a) below)	136,091	64,556	-	-
Due from co-insurers (see note 10(b) below)	-	53,837	-	-
	136,091	**118,393**	**-**	**-**
Within one year	136,091	118,393	-	-
More than one year	-	-	-	-
	136,091	**118,393**	**-**	**-**

The carrying amount is a reasonable approximation of fair value

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

Gross receivable from agents	289,554	473,504	-	-
Less: Impairment allowance (see note 10a(i) below)	(153,463)	(408,948)	-	-
	136,091	64,556	-	-

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

At 1 January	408,948	370,203	-	-
Allowance made during the year	24,970	-	-	-
Write off	(260,310)	-	-	-
Write back	(20,145)	(58,449)	-	-
Re-measurement	-	97,194	-	-
At 31 December	153,463	408,948	-	-

(b) The analysis of due from co-insurers is as follows:

Reinsurance receivables	578,823	619,463	-	-
Less: Impairment allowance (see note 10(b)(i) below)	(578,823)	(565,626)	-	-
	-	53,837	-	-

(i) The movements in impairment allowance on reinsurance receivables is analyzed below;

At 1 January	565,626	353,706	-	-
Allowance made during the year	278,117	211,920	-	-
Reversal during the year	(264,920)	-	-	-
At 31 December	578,823	565,626	-	-

11 Reinsurance assets

Non-life business reinsurance shares of insurance liabilities (see 11(a) below)	1,744,049	2,235,297	-	-
Life business reinsurance share of insurance liabilities (see 11(b) below)	451,107	652,176	-	-
	2,195,156	**2,887,473**	**-**	**-**
Within one year	2,029,335	2,721,651	-	-
More than one year	165,821	165,822	-	-
	2,195,156	**2,887,473**	**-**	**-**

(a) Non-life business reinsurance share of insurance liabilities

Prepaid reinsurance premium (see note (a)(i))	451,905	441,565	-	-
Reinsurance claims recoverable (see note (a) (ii))	586,681	1,057,893	-	-
Reinsurer's share of incurred but not reported claims (see note (a) (iii))	705,463	735,839	-	-
	1,744,049	2,235,297	-	-

Notes to the Financial Statements

	In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
(i)	The movement in prepaid reinsurance premium is shown below:				
	At 1 January	441,565	541,404	-	-
	Movement during the year (see note 36)	10,340	(99,839)	-	-
	At 31 December	451,905	441,565	-	-
(ii)	The movement in reinsurer's share of claims expenses outstanding is shown below:				
	At 1 January	1,057,893	1,867,130	-	-
	Movement during the year	(471,212)	(809,238)	-	-
	At 31 December	586,681	1,057,893	-	-
(iii)	The movement in reinsurer's share of incurred but not reported claim is shown below:				
	At 1 January	735,839	301,299	-	-
	Movement during the year	(30,376)	434,540	-	-
	At 31 December	705,463	735,839	-	-
(iv)	Analysis of reinsurance assets by business classes are as follows:				
	Fire	544,473	1,007,057	-	-
	Accident	82,691	92,812	-	-
	Motor	70,066	66,391	-	-
	Marine and aviation	122,263	97,420	-	-
	Oil & Gas	720,266	827,947	-	-
	Engineering	146,936	133,217	-	-
	Bond	5,942	6,706	-	-
	Agric	51,412	3,747	-	-
		1,744,049	2,235,297	-	-
(b)	Life business reinsurance share of insurance liabilities				
	Reinsurance asset (actuarial valuation)	167,489	260,203	-	-
	Reinsurer and facultative asset	296,114	391,971	-	-
	Impairment on reinsurance assets	(12,496)	-	-	-
		451,107	652,175	-	-
(i)	Reinsurance assets (actuarial valuation)				
	Short term insurance contracts	167,489	260,203	-	-
	Long term Insurance contracts	-	-	-	-
		167,489	260,203	-	-
(ii)	The movement in life business reinsurance assets is as shown below:				
	At 1 January	575,390	464,841	-	-
	Additions in the year	328,609	328,609	-	
	Receipts during the year	(218,060)	(218,060)	-	-
	Impairment of reinsurance assets	-	-	-	
	At 31 December	685,939	575,390	-	-

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

12 Deferred acquisition costs

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

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	209,395	261,631	-	-
Additions in the year	2,312,392	2,089,987	-	-
Amortization in the year	(2,240,371)	(2,142,223)	-	-
At 31 December	**281,416**	**209,395**	**-**	**-**
Within one year	281,416	209,395	-	-
More than one year	-	-	-	-
	281,416	**209,395**	**-**	**-**

13 Other receivables and prepayment

Intercompany receivables (see note 13(a) below)	-	-	66,746	96,116
Accrued investment income (see note 13(b) below)	146,281	159,268	-	-
Other receivables (see note 13(c) below)	1,251,222	1,331,687	281,356	335,957
Prepayments	214,367	208,130	17,384	51,806
	1,611,870	1,699,085	365,486	483,878
Impairment on other receivables (see 13(d)) below	(1,140,320)	(1,134,499)	(145,774)	(93,502)
	471,550	**564,586**	**219,712**	**390,376**
Within one year	471,550	564,586	219,712	390,376
More than one year	-	-	-	-
	471,550	**564,586**	**219,712**	**390,376**

(a) Due from related parties

Royal Exchange Microfinance Bank Limited	-	-	-	-
Royal Exchange Finance and Company	-	-	-	-
Royal Exchange Healthcare Limited	-	-	66,746	66,646
Royal Exchange General Insurance Company	-	-	-	29,470
Royal Exchange Prudential Life Limited	-	-	-	-
	-	-	66,746	96,116

(b) Accrued investment income

Investment income	146,281	159,268	-	-

(c) Other receivables

Management fees receivable	-	-	3,440	7,119
Withholding tax receivables	-	-	95,640	65,470
Trustee fees receivable	-	-	1,457	951
Deposit for investment	4,362	19,683	-	-
Sundry receivables	927,280	1,089,645	180,819	262,417
other assets	319,580	222,359	-	-
	1,251,222	1,331,687	281,356	335,957

(d) Impairment allowance on other receivables

The movements in impairment allowance on other receivables is analysed below;

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	1,134,499	985,108	93,502	20,955
Allowance made during the year (see note 44)	90,690	157,162	80,996	72,547
Write off	(9,973)	-	(28,725)	-
Write back	(74,896)	(7,771)	-	-
At 31 December	1,140,320	1,134,499	145,773	93,502

Notes to the Financial Statements

14 Investment in associates

(a) The movement in balances of investment in associates are as shown below:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	227,220	213,295	-	-
Share of current year result recognized in profit or loss	(877)	13,925	-	-
At 31 December	**226,343**	**227,220**	**-**	**-**

(b) This represents the Group's investment in the ordinary shares of City Business Computers EMEA Limited (CBC EMEA) incorporated in Nigeria, representing 26.10% (December 2019: 26.10%) equity interest in the company. The investee company has 31 December as its year end.

15 *Investment Properties*

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	6,040,461	5,998,300	-	-
Disposals during the year (note 15 (i))	(280,200)	-	-	-
Fair value gains (see note 43)	(124,270)	42,161	-	-
At 31 December	5,635,991	6,040,461	-	-

(i) Disposal during the year

Cost	280,200	-	-	-
Proceed on disposal	(270,000)	-	-	-
Loss on disposal	10,200	-	-	-

Notes to the Financial Statements

(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	31-Dec-20	31-Dec-19
In thousands of Naira						
No.2, Bank road, off Ibrahim Taiwo way, Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/00000000834	A-1277	410,800	410,800
No.5, NBC road, off Ahmadu Bello way, Kaduna	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/00000000834	A-1277	-	280,200
No. 7,Usuma Crescent Maitama Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/00000000976	A-1672	646,050	590,000
No 1, Eleko close, Ikoyi, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/00000000730	A-1878	650,539	775,855
No. 2,Eleko close Ikoyi Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/00000000730	A-1878	849,897	956,800
No. 26, Abduraman Okene crescent,Victoria Island, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/00000000730	A-1878	671,920	690,700
29,Oroago crescent Garki 11,Abuja	Emeka Orji Partnership	Suite 9G, 9th Floor, Ahmed Talib House. (NNDC), 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/00000000976	A-1672	434,079	419,400
36/38, Apapa Oshodi expressway, Oshodi, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/00000000730	A-1878	934,406	934,406
2, Post Office road, Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/00000000834	A-1277	422,300	422,300
Plot 6A & 6B Usuma Crescent, Maitama, Abuja, FCT	Emeka Orji Partnership	Suite 9G, 9th Floor, Ahmed Talib House. (NNDC), 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/00000000976	A-1672	616,000	560,000
					5,635,991	6,040,461

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

For the year ended 31 December 2020

Property Details	Balance as at 1 January 2020	Additions	Transfer/disposal	Fair value Gain/(Loss)	Balance as at 31 December 2020
In thousands of Naira					
No.2, bank road, off Ibrahim Taiwo way, Kano	410,800	-	-	-	410,800
No.5, NBC road, off Ahmadu Bello way, Kaduna	280,200	-	280,200	-	-
No. 7,Usuma Crescent Maitama Abuja	590,000	-	-	56,050	646,050
No 1, Eleko close, Ikoyi, Lagos	775,855	-	-	(125,316)	650,539
No. 2,Eleko close Ikoyi Lagos	956,800	-	-	(106,903)	849,897
No. 26, Abduraman Okene Crescent, Victoria Island, Lagos	690,700	-	-	(18,780)	671,920
29,Oroago Crescent Garki 11,Abuja	419,400	-	-	14,679	434,079
36/38, Apapa Oshodi Expressway Oshodi, Lagos	934,406	-	-		934,406
2, Post office road, Kano	422,300	-	-	-	422,300
Plot 6A & 6B Usuma Crescent, Maitama, Abuja, FCT	560,000	-	-	56,000	616,000
	6,040,461	-	280,200	(124,270)	5,635,991

For the year ended 31 December 2019

Property Details	Balance as at 1 January 2019	Additions	Transfer/disposals	Fair value Gain/(Loss)	Balance as at 31 December 2019
In thousands of Naira					
No.2, bank road, off Ibrahim Taiwo way, Kano	410,800	-	-		410,800
No.5, NBC road, off Ahmadu Bello way, Kaduna	280,200	-	-		280,200
No. 7, Usuma Cresent Maitama Abuja	580,000	-	-	10,000	590,000
No 1, Eleko close, Ikoyi, Lagos	771,941	-	-	3,914	775,855
No. 2, Eleko close Ikoyi Lagos	950,640	-	-	6,160	956,800
No. 26, Abduraman Okene Crescent, Victoria Island, Lagos	684,266	-	-	6,434	690,700
29, Oroago Crescent Garki 11, Abuja	413,747	-	-	5,653	419,400
36/38, Apapa Oshodi Expressway Oshodi, Lagos	934,406	-	-	-	934,406
12, Post office road, Kano	422,300	-	-	10,000	432,300
Plot 6A & 6B Usuma Crescent, Maitama, Abuja, FCT	550,000	-		-	550,000
	5,998,300	-	-	42,161	6,040,461

(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, Uma Uma & Company & Saibu Makinde Associates as at 31 December 2019. 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 measurement for the investment properties has been categorised as a Level 3 fair value based on the use of significant unobservable inputs in the valuation technique used.

The details of valuation techniques and significant observable inputs used in determining the fair value of investment properties are presented below:

Property description	Valuation (N'000)	Location of investment properties	Valuation technique	Significant unobservable inputs	Inter-relationship between key un-observable inputs and fair value measurement
The property is a fully completed building with 3 floors located in the central business district of Kano which is a commercial neighborhood. 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 2,100.88 square metres. Situation: Primary access to the property is vide the Ibrahim Taiwo road Kano State.	410,800	No.2, Bank road, off Ibrahim Taiwo way, Kano	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2020: 20% 2019: 20%); Estimated vacancy rates (2020:0% ; 2019:0%) Maintenance costs 10%	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)
The property is a 5 bedroom detached duplex located in a high brow low density residential neighborhood in Abuja. Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,133.60 square metres. Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja.	646,050	No. 7,Usuma Crescent Maitama Abuja	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2020:10% - 15%; 2019: 15%-20%); Estimated vacancy rates (2020:5% ; 2019:5%) Maintenance costs (2020:10% of annual income; 2019: 10% of annual income) Capitalisation rate (2020: 4%; 2019:3.5%) Discount rate (2020: 12.5%; 2019: 10%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighborhood of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,041.76 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	650,539	No 1, Eleko close, Ikoyi, Lagos	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Estimated vacancy rates (2020:0% ; 2019:0%) Capitalisation rate (2020: 5%; 2019: 5%) Discount rate (2020: 12.88%; 2019: 15.6%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Capitalisation rates were lower (higher) - Discount rates were lower (higher)

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The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighborhood of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,837.85 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	849,897	No. 2,Eleko close Ikoyi Lagos	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Estimated vacancy rates (2020:0% ; 2019:0%) Capitalisation rate (2020: 5%; 2019: 5%) Discount rate (2020: 12.88%; 2019: 15.6%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Capitalisation rates were lower (higher) - Discount rates were lower (higher)
The property is a block of open plain office space on two floors. It is located in the commercial area of Lagos State. Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 1,260 square metres. Situation: Primary access to the property is vide the Ligali Ayorinde Street.	671,920	No. 26, Abduraman Okene crescent, Victoria Island, Lagos	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Estimated vacancy rates (2020:0% ; 2019:0%) Discount rate (2020: 3.5%; 2019: 3.5%) Maintenance costs 12%	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)
The property is a fully completed building with 3 floors located in the central business district of Garki II, Abuja which is a commercial neighborhood. 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 2,017.28 square metres. Situation: Primary access to the property is vide the Muhammud Buhari Way, Abuja.	434,079	29,Oroago crescent Garki 11,Abuja	The fair value of the property is determined by applying the investment method and also depreciated replacement cost (DRC) to derive the open market value. These techniques reflect the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable.	Expected market rental growth rate (2020:10% - 15%; 2019: 15%-20%); Estimated vacancy rates (2020:5% ; 2019:5%) Maintenance costs (2020:15% of annual income; 2019: 10% of annual income) Capitalisation rate (2020: 4.5%; 2019:3.5%) Discount rate (2020: 12.5%; 2019: 10%)	The estimated fair values would increase (decrease) if: - the rate of development in the area increases (decreases), - quality of the building increases (decreases), - influx of people and/or business to the area increases (decreases).
The property is a fully completed building with 3 floors located in Oshodi, Lagos which is a commercial neighborhood. Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 5,275 square metres. Situation: Primary access to the property is vide the Oshodi Apapa Express way and Akin Lawanson street, Lagos State.	934,406	36/38, Apapa Oshodi expressway, Oshodi, Lagos	The fair value of the property is determined by applying the Investment Basis to derive the Open Market Capital value upon which prospective investor would likely make a bid. The technique reflects the discounted information of the benefits derivable from the property over its useful economic life or the cost of erecting a similar property.	Price of other similar properties in the area.	The estimated fair values would increase (decrease) if: - the rate of development in the area increases (decreases), - quality of the building increases (decreases), - influx of people and/or business to the area increases (decreases).

Notes to the Financial Statements

The property is a fully completed building with 2 floors located in the Central Business District Kano Municipality, which is a commercial neighborhood. Site: The site, which is triangular in shape, appears level and relatively flat. It covers a total land area of approximately 2,618.88 square metres. Situation: Primary access to the property is vide Post Office Road and Bank Road, Kano.	422,300	12, Post Office road, Kano	Sales Comparison	Expected market rental growth rate (2020: 20% 2019: 20%); Estimated vacancy rates (2020:0% ; 2019:0%) Maintenance costs 10%	The estimated fair values would increase (decrease) if: - the price per square meter increases (decreases)
The property is a 5 bedroom detached duplex located in a high brow low density residential neighborhood in Abuja. Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,680.30 square metres. Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja.	616,000	Plot 6A & 6B Usuma Crescent, Maitama, Abuja, FCT	Discounted cashflows: The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2020:15% - 20%; 2019: 10%-15%); Estimated vacancy rates (2020:10% ; 2019:10%) Maintenance costs (2020:15% of annual income; 2019: 15% of annual income) Capitalisation rate (2020: 4%; 2019:3.5%) Discount rate (2020: 12.5%; 2019: 10%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higher) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)

16 Assets classified as held for sale

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 31 December	973,639	973,639	-	-

In December 2015, management committed to a plan to sell one of its investment properties located at 776 Cadastral Zone A00, Central business area, Abuja. Accordingly, this property is presented as a non-current asset held for sale.

At 31 December 2020, the non-current assets held for sale was stated at its carrying amount; as investment properties are measured at the lower of its carrying amount and fair value less cost to sell.

The company conducted an impairment test on the non-current asset held for sale in the period under review and there was no indication of impairment on the assets. The fair value of the non-current asset held for sale as at 31 December 2020 stood at =N=1.056billion, higher than the carrying amount of =N=973.639 million, hence there were no changes to its carrying amount. There are no gains or losses recognized in relation to its classification as a non-current asset held for sale.

The determination of the fair value was conducted by a professional Estate Surveyor and Valuer; Emeka Orji Partnership, with FRC number FRC/2013/NIESV/00000000976 and NIESV number A-1672.

17 Property, plant & equipment

(a) Group

In thousands of Naira	Land	Freehold buildings	Computer Equipment	Furniture and Fittings	Motor Vehicles	Total
Cost						
At 1 January	194,239	1,238,346	212,869	379,316	1,018,848	3,043,618
Additions	-	-	25,185	15,730	81,835	122,750
Disposals	(50,924)	-	(10,768)	(4,520)	(19,701)	(85,913)
At 31 December	143,315	1,238,346	227,286	390,526	1,080,982	3,080,455
At 1 January 2019	194,239	1,238,346	231,797	454,750	943,432	3,062,564
Additions	-	-	11,838	6,925	128,044	146,807
Disposals	-	-	(30,766)	(82,359)	(52,628)	(165,753)
At 31 December 2019	194,239	1,238,346	212,869	379,316	1,018,848	3,043,618

Accumulated Depreciation

In thousands of Naira		Freehold buildings	Computer Equipment	Furniture and Fittings	Motor Vehicles	Total
At 1 January	-	218,284	195,978	359,380	832,845	1,606,487
Charge for the year	-	24,318	9,444	10,520	82,931	127,213
Disposals	-	-	(10,768)	(4,520)	(19,700)	(34,988)
At 31 December	-	242,602	194,654	365,380	896,076	1,698,712
At 1 January 2019	-	193,773	217,131	428,709	754,546	1,594,159
Charge for the year	-	24,511	9,329	12,983	112,697	159,520
Disposals	-	-	(30,482)	(82,312)	(34,398)	(147,192)
At 31 December 2019	-	218,284	195,978	359,380	832,845	1,606,487
Carrying amounts:						
At 31 December 2020	**143,315**	**995,744**	**32,632**	**25,146**	**184,906**	**1,381,742**
At 31 December 2019	**194,239**	**1,020,062**	**16,891**	**19,936**	**186,003**	**1,437,131**

(i) There were no capitalized borrowing costs related to the acquisition of property and equipment during the period (2019: nil).
(ii) The Group had no capital commitments as at the balance sheet date (2019: nil)
(iii) There was no property and equipment that has been pledged as security for borrowing as at the end of the period. (2019: Nil)

Notes to the Financial Statements

(b) Company

In thousands of Naira	Freehold buildings	Computer Equipment	Furniture and Fittings	Motor Vehicles	Total
Cost					
At 1 January	-	18,628	25,814	57,846	102,288
Additions	-	319	80	-	399
At 31 December	-	18,947	25,894	57,846	102,687
Depreciation					
At 1 January	-	18,235	24,873	55,790	98,898
Charge	-	283	676	2,056	3,015
At 31 December	-	18,518	25,549	57,846	101,913
Carrying amounts:					
At 31 December 2020	**-**	**429**	**345**	**0**	**774**
At 31 December 2019	**-**	**392**	**941**	**2,056**	**3,390**

(i) There were no capitalized borrowing costs related to the acquisition of property and equipment during the period (2019: nil).
(ii) The Group had no capital commitments as at the balance sheet date (2019: nil)
(iii) There was no property and equipment that has been pledged as security for borrowing as at the end of the period. (2019: Nil)

17(b) Right of Use Asset

(a) Group

In thousands of Naira	31-Dec-20	31-Dec-19
Right of Use Asset- Rent Prepayment		
At 1 January	15,764	43,677
Addition	14,253	1,958
Prepayments amortization on long term leases	(19,928)	(29,871)
At 31 December	10,089	15,764
Amounts recognized in profit or loss		
Right of use asset- rent prepayment	19,928	29,871
At 31 December, 2020	91,400	118,527

(b) Company

Cost		
At 1 January	44,963	29,914
Additions	-	15,049
At 31 December	44,963	44,963

Accumulated Depreciation	31-Dec-20	31-Dec-19
In thousands of Naira		
At 1 January	26,503	16,203
Charge for the year	9,994	10,300
Disposals		
At 31 December	36,497	26,503
At 31 December 2020	8,466	18,460
At 31 December 2019	18,460	13,710

18 Intangible assets

In thousands of Naira

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Cost:				
At 1 January	246,709	244,544	9,375	9,375
Additions	1,800	2,165	-	-
At 31 December	248,509	246,709	9,375	9,375
Accumulated amortization:				
At 1 January	236,879	229,524	9,375	9,375
Charge for the year	6,497	7,355	-	-
At 31 December	243,376	236,879	9,375	9,375
At 31 December 2020	**5,133**	**9,830**	**-**	**-**

The Intangible assets of the Group comprised computer software. The computer software is accounted for using the cost model less accumulated amortization and accumulated impairment. The amortization is charged to the income statements in accordance with the Group's policy. As at 31 December 2020, these assets were tested for impairment, and Management has determined that no impairment is required of these intangibles.

19 Employee benefit obligations

The Group operates defined contribution pension plan based on the New Pension Act 2004, and a defined benefit gratuity plan based on employee's pensionable and other post-employment remuneration and length of service.
The details of the Group's assets from Employee benefits are as below:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Defined benefit obligations (see Note 19.1 below)	257,168	295,649	-	-
Employee benefit asset in statement of financial position	**257,168**	**295,649**	**-**	**-**

(a) The details of the Group's Liabilities from Employee benefits are as below:

Defined benefit obligations (see Note 19.1 below)	(41,335)	(39,252)	(1,656)	(1,418)
Employee benefit asset in statement of financial position	**(41,335)**	**(39,252)**	**(1,656)**	**(1,418)**

19 Defined benefit plan:

The Group offers its employees defined benefit plans in the form of long service awards. The Gratuity Scheme covers all employees and it is payable to an employee on resignation only if the employee has served the entity for more than five years. The gratuity benefit is based on a percentage of an employee's annual emolument

The Group operates a Long Service Award scheme for its employees. Qualification for long service awards are 10 years, 15 years, 20 years, 25 years, 30 years and 35 years

The defined benefit obligations were actuarially determined at the year end by Logic Professional Services under the supervision of Mr. Ganiu Shefiu with FRC number (FRC/2017/NAS/00000017548. The actuarial valuation is done based on the "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to other comprehensive income.

(a) The details of the defined benefit plans are as below:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Pension (net asset)	257,168	295,649	-	-
Employee benefit asset in statement of financial position	257,168	295,649	-	-
Long service award (outstanding liability)	(41,335)	(39,252)	(1,656)	(1,418)
Employee benefit liability in statement of financial position	**(41,335)**	**(39,252)**	**(1,656)**	**(1,418)**

Notes to the Financial Statements

(b)	Company's obligations for:-				
	–Pension benefits (see note 19.1(d) below)	(232,925)	(184,058)	-	-
	– Long service award (see note 19.1(e) below)	(41,335)	(39,252)	(1,656)	(1,418)
	Total Company Obligation	(274,260)	(223,310)	(1,656)	(1,418)
(c)	Fair value of Company's plan assets				
	–Pension benefits (see note 19.1(d) below)	490,090	479,705	-	-
		490,090	479,705	-	-
i	Income statement charge for:-				
	– Pension benefits (see note 19.1(d)(iii) below)	81,247	(46,275)	-	-
	– Long service award (see note 19.1(e)(ii) below)	9,292	8,254	458	147
	Total	90,539	(38,021)	458	147
ii	(Loss)/gain on other comprehensive income				
	-Adjustments for net pension assets (see note 19.1(d)(iv))	(76,177)	(34,477)	-	-
	-Adjustments for long-service awards obligations (see note 19.1(e)(iii))	3,906	(3,497)	(92)	759
	Total	(72,271)	(37,974)	(92)	759
	Tax effect of remeasurement	-	-	-	-
	Total in other comprehensive income	(72,271)	(37,974)	(92)	759

(d) **Pension benefits**
The amounts recognized in the statement of financial position are determined as follows:

Present value of funded obligations (see note 19.1(d)(i) below)	(232,925)	(184,058)	-	-
Fair value of plan assets (see note 19.1(d)(ii) below)	490,090	479,705	-	-
Net asset in the statement of financial position	257,165	295,647	-	-
Current	-	-	-	-
Non-current	257,165	295,647	-	-
	257,165	295,647	-	-

i The movement in the present value of the funded pension benefits obligation over the year is as follows:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	184,058	178,505	-	-
Interest cost	21,776	25,390	-	-
Actuarial (gains)/ losses-assumption	57,457	23,808	-	-
Actuarial (gains)/losses-experience	(3,572)	(13,067)	-	-
Benefits paid by the fund	(26,794)	(30,578)	-	-
At 31 December	232,925	184,058	-	-

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

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	479,705	462,354	-	-
Expected return on plan assets	59,471	71,665	-	-
Benefits paid	(26,794)	(30,578)	-	-
Actuarial loss	(22,292)	(23,736)	-	-
At 31 December	490,090	479,705	-	-

iii The amounts recognized in the profit or loss are as follows:

	Net interest costs/income:				
	- Interest costs (see note 19.1(d)(i))	21,776	25,390	-	-
	- Expected return on plan asset (see note 19.1(d)(i))	59,471	(71,665)	-	-
	At 31 December	81,247	(46,275)	-	-
iv	The amounts recognized in other comprehensive income are as follows:				
	Actuarial gains-assumption for obligation (see note 19.1(d)(i))	(57,457)	(23,808)	-	-
	Actuarial (losses)-experience for obligation (see note 19.1(d)(i))	3,572	13,067	-	-
	Actuarial (losses) on plan asset (see note 19.1(d)(ii))	(22,292)	(23,736)	-	-
	At 31 December	(76,177)	(34,477)	-	-

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

The principal actuarial assumptions used were as follows:

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Discount rate	8%	13%	N/A	N/A
Rate of pension increase	3%	3%	N/A	N/A
Inflation rate	13%	12%	N/A	N/A

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

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

In years	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Male	78	78	N/A	N/A
Female	83	83	N/A	N/A

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

31-Dec-20

	Change in assumption		Impact on liability including change (N'000)	
Discount rate	0.50%	-0.50%	225,263	241,085

31-Dec-19

	Change in assumption		Impact on liability including change (N'000)	
Discount rate	0.50%	-0.50%	179,224	189,153

(e) Long Service Awards

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Present value of unfunded obligations (see note 19.1(e)(i) below)	41,335	39,252	1,656	1,418
Current	-	-	-	-
Non-current	41,335	39,252	1,656	1,418
	41,335	39,252	1,656	1,418

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

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	39,252	30,239	1,418	512
Current service cost	4,566	3,738	303	68
Interest cost	4,726	4,516	155	79
Benefits paid	(3,303)	(2,738)	(128)	-
Actuarial (gains)/losses	(3,906)	3,497	(92)	759
At 31 December	41,335	39,252	1,656	1,418

Notes to the Financial Statements

		31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
(ii)	The amounts recognized in the profit or loss are as follows:				
	Current service costs (see note 19.1(e)(i))	4,566	3,738	303	68
	Net interest costs/income:				
	- Interest costs (see note 19.1(e)(i))	4,726	4,516	155	79
	- Expected return on plan asset	-	-	-	-
	Past service costs (including curtailment)	-	-	-	-
	At 31 December	9,292	8,254	458	147
(iii)	The amounts recognized in other comprehensive income are as follows:				
	Actuarial (gains)/losses on obligations (see note 19.1(e)(i))	(3,906)	3,497	(92)	759
	The principal actuarial assumptions used were as follows:				
	Discount rate	8%	13%	8%	16%
	Future salary increases	10%	13%	10%	13%
	Inflation rate	13%	12%	13%	12%
	Benefit escalation rate	0%	6%	0%	6%

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

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

31-Dec-20

	Change in assumption		Impact on liability including change (N'000)	
Discount rate	0.50%	-0.50%	40,171	42,565
Future salary increases	0.50%	-0.50%	42,349	40,366
Inflation rate	0.50%	-0.50%	N/A	N/A
Mortality	0.50%	-0.50%	41,219	41,439

31-Dec-19

	Change in assumption		Impact on liability including change (N'000)	
Discount rate	0.50%	-0.50%	38,190	40,369
Future salary increases	0.50%	-0.50%	40,125	38,414
Inflation rate	0.50%	-0.50%	39,600	38,922
Mortality	0.50%	-0.50%	39,162	39,343

20 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.

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Deposits with CBN	**555,000**	**555,000**	-	-
The analysis of the statutory deposit is as follows:				
Deposit with CBN for non-life business	340,000	340,000	-	-
Deposit with CBN for life business	215,000	215,000	-	-
	555,000	**555,000**	**-**	**-**

Notes to the Financial Statements

21 Deferred taxation

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

For the year ended 31 December 2020

In thousands of Naira	Note	At 1 January	Recognized in profit or loss	At 31 December
Deferred tax assets				
Property and equipment, and software		35,488	463	35,951
Allowances for loans and receivables		8,270	(8,270)	-
Unrelieved loss		124,555	26,019	150,574
Employee benefits		497		497
Foreign exchange		-	6,946	6,946
Deferred tax assets		**168,810**	**25,158**	**193,968**
Deferred tax liabilities				
Property and equipment, and software		(184,743)	(100,718)	(285,461)
Allowances for loans and receivables		(18,454)	12,476	(5,978)
Unrelieved loss		(127,793)	142,309	14,516
Investment properties		(350,214)	9,116	(341,098)
Employee Benefits		116,112	(108,192)	7,920
Deferred tax Liabilities		(565,092)	(45,009)	**(610,101)**
Net deferred tax assets/(liabilities)		**(396,282)**	**(19,851)**	**(416,133)**

Group
In thousands of Naira

For the year ended 31 December 2019

	Note	A 1 January	Recognized in profit or loss	At 31 December
Deferred tax assets				
Property and equipment, and software		33,365	2,123	35,488
Allowances for loans and receivables		7,752	518	8,270
Unrelieved loss		91,691	32,864	124,555
Employee benefits		467	30	497
Foreign exchange		-	-	-
Deferred tax assets		**133,275**	**35,535**	**168,810**
Deferred tax liabilities				
Property and equipment, and software			(184,743)	(184,743)
Allowances for loans and receivables			(18,454)	(18,454)
Unrelieved loss			(127,793)	(127,793)
Investment properties		(336,184)	(14,030)	(350,214)
Employee Benefits		-	116,112	116,112
Deferred tax liabilities		**(336,184)**	**(228,908)**	**(565,092)**
		(202,909)	**(193,373)**	**(396,282)**

Deferred tax assets have been recognized because it is considered probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

Deferred tax assets have not been recognized in the Company because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom as detailed in Note 21(a) below.

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

Notes to the Financial Statements

The deferred tax assets of Royal Exchange Prudential Life Plc, Royal Exchange General Insurance Company Limited and Royal Exchange Healthcare Limited, components of the Group, which relates primarily to timing difference in the recognition of depreciation and capital allowances on property and equipment, employee benefit liabilities and unrelieved tax losses were not recognized in these financial statements.

This is due to the uncertainty about the availability of future taxable profits for these entities against which deferred tax assets can be utilized.

22 Deferred income

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Deferred rental income (see 22(a) below)	24,182	16,178	-	-
Deferred acquisition income (see 22(b) below)	114,062	93,154	-	-
At 31 December	**138,244**	**109,332**	**-**	**-**
Within one year	114,062	93,154	-	-
More than one year	24,182	16,178	-	-
	138,244	**109,332**	**-**	**-**

(a) Deferred rental income

At 1 January	16,178	40,553	-	-
Additions during the year	8,004	-	-	-
amortized for the year	-	(24,375)	-	-
At 31 December	24,182	16,178	-	-

(b) Deferred acquisition income

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

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	93,154	103,580	-	-
Additions in the year	588,950	405,120	-	-
Amortization in the year	(568,042)	(415,546)	-	-
At 31 December	114,062	93,154	-	-
Analysis of deferred acquisition income by class of insurance are as follow:				
Fire	23,103	24,247	-	-
Accident	10,701	8,052	-	-
Motor	6,651	5,384	-	-
Marine and aviation	26,316	12,546	-	-
Oil & Gas	27,910	23,035	-	-
Engineering	18,940	19,697	-	-
Bond	13	193	-	-
Agric	429	-	-	-
At 31 December	114,062	93,154	-	-

23 Trade payables

Reinsurance payables	356,085	268,158	-	-
Deposit for premium (See note 23 (a) below)	7,417,516	5,775,254	-	-
Premium payables to Co-insurers	-	18,980	-	-
Other trade payables	136,246	94,793	-	-
At 31 December	**7,909,847**	**6,157,185**	**-**	**-**
Within one year	7,909,847	6,157,185	-	-
More than one year	-	-	-	-
	7,909,847	**6,157,185**	**-**	**-**

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

(a) Deposit for premium represents premium collected in advance with respect to energy packaged policies with policy period between January 2021 to 31 December 2021. The premium was received on 30th of December, 2020 to be remitted to other co-insurers on the policy.

Notes to the Financial Statements

24 Other liabilities

In thousands of Naira

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Due to related parties (see 24(a) below)	-	-	638,678	59,789
Other liabilities (see 24(b) below)	1,864,278	1,735,444	1,434,652	1,968,527
At 31 December	**1,864,278**	**1,735,444**	**2,073,330**	**2,028,316**
Within one year	1,672,846	1,134,842	215,287	215,287
More than one year	191,432	600,602	1,858,043	1,813,029
	1,864,278	**1,735,444**	**2,073,330**	**2,028,316**

(a) Due to related parties

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Royal Exchange General Insurance Company	-	-	571,811	-
Royal Exchange Prudential Life Limited	-	-	56,468	49,290
Royal Exchange Finance Company Limited	-	-	10,399	10,499
Royal Exchange Microfinance Bank	-	-	-	-
	-	-	638,678	59,789

(b) Analysis of other liabilities is as follows:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Deferred income	1,709	199,246	-	-
Accruals	1,206,664	877,085	692,169	932,169
PAYE and WHT payables	3,360	81,175	1,211	8,043
VAT Payable	30,711	48,499	30,711	48,499
NAICOM levy	118,682	105,844	-	-
Other Statutory payables	7,945	4,156	-	-
Deposit for shares	85	85	-	-
Staff payables	104,595	1,511	102,256	62,649
Dividend payable held as collateral	100,531	228,621	100,531	228,621
Unclaimed Dividend	57,876	57,876	57,876	57,876
Trustee Fund	104,591	-	-	-
Discontinued Liability	2,314	2,314	2,314	2,314
Other payables	125,215	129,032	447,582	628,357
At 31 December	1,864,278	1,735,444	1,434,652	1,968,527

(i) Dividend payable held as collateral represents dividend belonging to Spennymoor Limited, Dantata Investments & Securities Company Limited and Phenonix Holdings Limited which was withheld by the Group in respect to 250 million units of the Group's shares held by Decanon Investment Limited in relation to an ongoing litigation case involving the Group and the aforementioned counterparties.

(ii) Unclaimed dividend represents all dividends belonging to shareholders of the Group outstanding for more than 15 months, which have been returned to the Group by the Registrar in compliance with the Securities Exchange Commission (SEC)'s directive.

25 Depositors' funds

In thousands of Naira

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Royal Exchange investment notes (see note 25(a) below)	117,000	93,500	-	-
High yield investment papers (see note 25(b) below)	1,009,661	1,449,669	-	-
Savings	107,815	54,847	-	-
Demand deposit	9,929	19,530	-	-
Term deposit and call deposits	119,815	166,604	-	-
	1,364,220	**1,784,150**	**-**	**-**

(a) Royal Exchange Investment Notes represents customers' deposits into the Group's term deposit options. It is a flexible money market investment option that has an upfront interest payment and accepts a minimum of N2million as deposit payable over 90 days. It is carried at amortized cost.

(b) High Yield Investment Papers represent customers' deposits into the Group's term deposit options. It is a product that offers a certain interest, promising to be higher than the average money market rate. Interests are paid back end and minimum deposits of N1million are accepted, payable over 90 days. It is carried at amortized cost.

Notes to the Financial Statements

26 Insurance contract liabilities

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Non-life general insurance	4,042,104	4,591,292	-	-
Healthcare insurance	179,742	197,196	-	-
Life insurance	5,576,845	6,180,545	-	-
At 31 December	**9,798,691**	**10,969,033**	**-**	**-**

(a) Non life general Insurance

Unexpired risk (See note 26(a)(ii) below)	1,584,946	1,288,775	-	-
Outstanding claims:			-	-
Claims outstanding	1,259,935	2,055,190	-	-
Incurred but not reported	1,197,223	1,247,327	-	-
At 31 December	4,042,104	4,591,292	-	-

(i) The concentration of non-life insurance by type of contract is summarized below by reference to liabilities.

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Fire	882,033	1,512,891	-	-
Accident	487,251	549,133	-	-
Motor	742,766	786,598	-	-
Marine and aviation	409,842	305,048	-	-
Oil & Gas	1,225,670	1,279,499	-	-
Engineering	194,860	119,811	-	-
Bond	11,884	13,386	-	-
Agric	87,798	24,925	-	-
At 31 December	4,042,104	4,591,291	-	-

(ii) Unexpired risk is summarized by type below

Fire	253,789	262,880	-	-
Accident	160,107	83,210	-	-
Motor	408,371	425,544	-	-
Marine and aviation	263,316	156,365	-	-
Oil & Gas	410,271	330,620	-	-
Engineering	80,679	28,895	-	-
Bond	105	1,262	-	-
Agric	8,308			
At 31 December	1,584,946	1,288,775	-	-

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

At 1 January	1,288,775	1,572,772	-	-
Movement during the year	296,171	(283,997)	-	-
At 31 December	1,584,946	1,288,775	-	-

(iv) 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 outstanding claims per class of non-life insurance business is shown below:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Fire	628,244	1,250,012	-	-
Accident	327,144	465,922	-	-
Motor	334,395	361,054	-	-
Marine and aviation	146,526	148,683	-	-
Oil & Gas	815,399	948,879	-	-
Engineering	114,181	90,916	-	-
Bond	11,779	12,124	-	-
Agric	79,490	24,926	-	-
At 31 December	2,457,158	3,302,517	-	-

Notes to the Financial Statements

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

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**
0 - 90 days	152,756	75,883
91 - 180 days	46,663	31,607
181 - 270 days	53,978	63,563
271 - 360 days	15,098	66,723
Above 360 days	928,728	1,817,414
	1,197,223	2,055,190

(v) The movement in outstanding claims is shown below:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	3,302,517	3,745,330	-	-
Movement during the year	(845,359)	(442,813)	-	-
At 31 December	2,457,158	3,302,517	-	-

(b) Healthcare insurance

Claims and loss adjustment expenses (see note 26(b)(i))	160,340	172,279	-	-
Provisions for unearned premiums and unexpired short term insurance risks (see note 26(b)(ii))	19,401	24,917	-	-
At 31 December	179,741	197,196	-	-

(i) Analysis of claims and loss adjustment expenses are as follows:

Claims outstanding as at 1 January	172,279	166,633	-	-
Cash paid for claims settled in the year	-	-	-	-
– Arising from current-year claims	(11,939)	5,645	-	-
– Arising from prior year claims	-	-	-	-
At 31 December	160,340	172,279	-	-

(ii) Provisions for unearned premiums and unexpired short term insurance risks
The movements for the year are summarized below:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	24,917	46,400	-	-
Increase in period	226,511	298,805	-	-
Release in the period	(232,026)	(320,287)	-	-
At 31 December	19,402	24,917	-	-

These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at the end of the reporting period. The unexpired risk provision relates to the casualty insurance contracts for which the Group expects to pay claims in excess of the related unearned premium provision. This assessment is performed using geographical aggregation of portfolios of liability insurance contracts within the casualty segment.

(c) Life insurance

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Outstanding claims - Group life (see note 26(c)(i) below)	2,088,103	2,044,210	-	-
Outstanding claims - Individual life (see note 26(c)(ii) below)	143,286	31,703	-	-
	2,231,389	2,075,913	-	-
Life insurance contract liabilities (see note 26(c)(iii) below)	3,345,456	4,104,632	-	-
	5,576,845	6,180,545	-	-

(i) **Outstanding claims - group life**
The movement in the provision for outstanding claims during the year was as follows:

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	2,044,210	1,852,242	-	-
Increase during the year (see note 39(ii))	43,893	191,968	-	-
At 31 December	2,088,103	2,044,210	-	-

Notes to the Financial Statements

		Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
(ii)	**Outstanding claims - individual life**				
	The movement in the provision for outstanding claims during the year was as follows:				
	At 1 January	31,703	43,203	-	-
	Decrease/(increase) during the year (see note 39(ii))	111,583	(11,500)	-	-
	At 31 December	143,286	31,703	-	-
(iii)	**Life insurance contract liability**				
	The movement on the Life funds account during the year was as follows:				
	At 1 January	4,104,632	3,591,434	-	-
	Increase/(decrease) during the year	462,375	441,276	-	-
	Disposal of annuity fund	(1,195,094)	-		
	Difference in unearned premium (see note 26(v) below)	(26,457)	71,923	-	-
	At 31 December	3,345,456	4,104,632	-	-

(iv) **Annuity**

The annuities were reserved for by using a discounted cash flow approach by the Actuary. Here, reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract. The assets representing the annuities are invested in near-cash money market financial instruments and long term secured instruments such as Federal government bond and treasury bills with a varying tenor.

(v) The movement in the unearned premium during the year was as follows:

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	412,545	340,622	-	-
Decrease/(increase) during the year	(26,457)	71,923	-	-
At 31 January	386,088	412,545	-	-

27 Investment contract liabilities

Deposit administered funds	109,006	111,450	-	-
Investment managed funds	167,974	154,071	-	-
	276,980	**265,521**	**-**	**-**

(a)	**Deposit administered funds**				
	At 1 January	111,450	130,759	-	-
	Deposits received in the year	-	74	-	-
	Interest paid	-	3,152	-	-
	Withdrawals	(2,444)	(22,535)	-	-
	At 31 December	109,006	111,450	-	-
	Current	35,782	15,074	-	-
	Non Current	73,224	96,376	-	-
		109,006	111,450	-	-

The Company has a total sum of ₦111million (2019: N111 million) in deposit administered funds with guaranteed interest which has been in existence since 2010. The outstanding balance in the account is attributable to clients who are yet to terminate their investment.

(b) Investment managed funds

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	154,071	171,665	-	-
Deposits	113,587	497,654	-	-
Interest accrued thereon	5,132	3,149	-	-
Withdrawals	(104,816)	(518,397)	-	-
At 31 December	**167,974**	**154,071**	**-**	**-**
Current	165,985	165,985	-	-
Non Current	1,989	(11,914)	-	-
	167,974	154,071	-	-

Notes to the Financial Statements

28 Taxation

(a) Charge for the year

Recognized in profit or loss
In thousands of Naira

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Income tax	160,408	73,743	-	-
Over provision in prior years	(2,662)	-	-	-
Capital gains tax	-	-	-	-
Police Trust Fund Levy	51	49		
Education tax	17,647	14,068	-	-
Technology tax	10,267	9,829	-	-
	185,711	97,689	-	-
Deferred tax charge	19,850	192,838	-	-
Income taxes	205,561	290,527	-	-
Minimum tax	1,595	9,278	419	7,137

(b) Current income tax liabilities

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
At 1 January	588,690	726,574	283,847	303,576
Charge for the year	186,887	73,178	-	-
Payment during the year	(57,550)	(244,286)	(29,755)	(26,866)
Withholding Tax Credit Note Utilized	(68,243)	-	-	-
Police Trust Fund levy	-	49	-	-
Minimum Tax	419	9,278	419	7,137
Education tax	-	14,068	-	-
Information Technology Tax	-	9,829	-	-
At 31 December	**650,203**	**588,690**	**254,511**	**283,847**

29 Borrowings

In thousands of Naira

		Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
	At 1 January	2,276,717	8,865,661	2,383,607	8,907,750
	Additions	8,112,572	13,379,896	8,155,525	13,531,046
	Repayments	(8,204,412)	(19,968,840)	(8,225,588)	(20,055,189)
	At 31 December	**2,184,877**	**2,276,717**	**2,313,544**	**2,383,607**
(a)	FSDH Merchant Bank (see note 29(i) below)	1,999,308	2,059,386	1,999,308	2,059,386
	Central Bank of Nigeria (see note 29(ii) below)	27,681	27,053	-	-
	Borrowings from Funds under management (see note 29(iii) below)	157,889	190,279	157,889	190,279
	Royal Exchange Finance Company Limited (see note 29(iv) below)	-	-	156,348	132,820
	Overdraft with banks	-	-	-	1,122
		2,184,877	**2,276,717**	**2,313,545**	**2,383,607**
	Current	1,999,308	2,059,386	1,999,308	2,059,386
	Non-current	185,570	217,332	314,238	324,222
		2,184,877	**2,276,717**	**2,313,545**	**2,383,607**

(i) The amount of N1,999,308.00 represents the carrying amount of a N2,000,000,000 term loans obtained from FSDH Merchant Bank Ltd. as at 31 December 2020 with a tenor of Three months (90 days) at 7 percent (7%) interest rate. As at 31 December, 2020 the company did not obtain any waiver and did not amend any financial covenants stipulated in its existing loan agreements with the bank, also, the company was able to comply with all relevant financial obligation during the reporting period.

(ii) The amount of N27,681.00 represents the carrying amount of a N50,300,000 term loan obtained from the Central Bank of Nigeria as at 31 December 2020 under the Micro, Small & Enterprises Development Fund. The facility's effective date is 09 April 2015

(iii) The amount represents the carrying amount of term loans obtained by the Group from the unclaimed debentures under the management of Royal Exchange Plc as at the 31 December 2020.

Notes to the Financial Statements

29 (b) Lease liabilities

In thousands of Naira	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
At 1 January	-	-	31,467	77,051
Additions	-	-	7,097	15,049
Repayments	-	-	(21,731)	(60,633)
At 31 December	-	-	16,833	31,467

30 Share capital and premium

Share capital comprises

Authorized share capital				
10,000,000,000 ordinary shares of 50k each	5,000,000	5,000,000	5,000,000	5,000,000
Issued share capital				
5,145,370,074 ordinary shares of 50k each	2,572,685	2,572,685	2,572,685	2,572,685

31 Share premium

At 31 December	2,690,936	2,690,936	2,690,936	2,690,936

32 Contingency reserve

In compliance with Section 21(1) of Insurance Act 2003, the contingency reserve for general business is credited with the greater of 3% of gross premium or 20% of Net Profit and accumulated until it reaches the amount of greater of minimum Paid up Capital or 50 percent of Net Premium, whereas, the contingency reserve for life business is credited with the greater of 1% of gross premium or 10% of Net Profit and accumulated until it reaches the amount of greater of minimum Paid up Capital or 50 percent of net premium.

33 Treasury shares

Treasury shares represent the cost of the 250,000,000 ordinary shares of the Group which is held in respect to Security Holding Trust Limited in respect to a proposed share ownership scheme for staff of a subsidiary which is subject to a litigation in suit FHC/L/CS/5479/09. The ordinary shares are being held as guarantee that value will not be lost as well as N228million cash dividend. The ordinary shares have a market value of N500 million as at 31 December 2020.

34 Retained Earnings

The amount represents the retained earnings available for dividend distribution to the equity shareholders of the company. For analysis of movement in retained earnings, see the 'Statement of Changes in Equity.

35 Other Component of Equity

Other component of equity comprises of actuarial gains or losses on employee benefit obligation, cumulative net change in the fair value of available-for-sale financial assets until assets are derecognized and transferred to regulatory risk reserve.

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

(b) Fair value reserves
Fair value reserves represent the cumulative net change in the fair value through other comprehensive income (OCI) financial assets at the reporting date.

(c) Regulatory risk reserve
Regulatory risk reserves represent the difference between the allowance for impairment losses on loans and advances to customers based on Central Bank of Nigeria (CBN) prudential guidelines, compared with the expected credit loss model used in calculating the impairment under IFRSs. This reserve is maintained by Royal Exchange Microfinance Bank Ltd. and Royal Exchange Finance Company Ltd. in compliance with the CBN prudential guidelines.

Notes to the Financial Statements

(d) Non-controlling interest (NCI)

For analysis of movement in NCI, see the 'Statement of Changes in Equity.	Group 31-Dec-20	Group 31-Dec-19
In thousands of Naira		
At 1 January	3,633,174	-
On disposal of shares	-	3,578,019
Dividend received during the year	(164,586)	-
Share of other component of equity	92,661	9,193
Share of profit for the year	311,460	45,962
At 31 December	**3,872,709**	**3,633,174**

Set out below is summarized financial information for the subsidiary- Royal Exchange General Insurance Company Limited (REGIC) that has non-controlling interests that are material to the group.

In thousands of Naira	REGIC 31-Dec-20	REGIC 31-Dec-19
Gross premium income	11,868,240	10,868,348
Other income	1,341,711	1,236,802
Expenses	(12,416,371)	(11,450,445)
Profit for the year	**793,580**	**654,705**
Profit attributable to owners of the Company	482,119	608,743
Profit attributable to the non-controlling	311,460	45,962
Profit for the year	**793,579**	**654,705**
Other comprehensive income attributable to owners of the Company	625,554	52,236
Other comprehensive income attributable to the non-controlling interests	404,122	55,155
	1,029,676	**107,391**
Dividends paid to non-controlling interests	164,586	-
Summarized cash flow statement		
Net cash inflow (outflow) from operating activities	1,782,316	779,670
Net cash inflow from investing activities	(2,241,000)	529,995
Net cash (outflow)/inflow from financing activities	(455,103)	(2,058,098)
Net cash outflow	**(913,787)**	**(748,433)**

36(a) Gross Written Premium

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Gross written Premium				
Non-Life	11,850,969	10,580,693	-	-
Life	3,263,215	3,368,113	-	-
Healthcare	178,573	259,072	-	-
	15,292,757	**14,207,878**	-	-
Unearned Premium				
Non-Life	(296,171)	283,995	-	-
Life	26,457	(71,923)	-	-
Healthcare	5,514	21,482	-	-
	(264,200)	233,554	-	-
Earned Premium	**15,028,557**	**14,441,432**	-	-

36(b) Reinsurance expenses

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Non-life reinsurance premiums:				
Gross written reinsurance premiums	6,306,618	5,290,016	-	-
Change in reinsurance unearned premiums	(10,340)	99,838	-	-
	6,296,278	5,389,854	-	-
Life reinsurance premiums:				
Insurance premium ceded to reinsurers	540,766	334,651	-	-
	6,837,044	**5,724,505**	**-**	**-**

Notes to the Financial Statements

37 Fee and commission income

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Reinsurance commissions on non-life business	568,041	415,546	-	-
Reinsurance commissions on life business	95,164	64,142	-	-
	663,205	**479,688**	**-**	**-**

38 Insurance claims and benefits incurred

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Insurance claims and benefits incurred on non-life business(see note 38(i) below)	1,289,168	1,668,575	-	-
Insurance claims and benefits incurred on life business(see note 38(ii) below)	1,960,737	2,237,003	-	-
Insurance claims and benefits incurred on healthcare business (see note 38(iii) below)	123,898	156,923	-	-
	3,373,803	4,062,501	-	-

(i) Analysis on insurance claims and benefits incurred on Non-life business:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Motor and accident	313,410	518,074	-	-
Fire and IAR	139,341	524,063	-	-
Marine	65,957	146,089	-	-
Engineering	110,692	68,355	-	-
Bond	(347)	(12,710)	-	-
Special risk	580,367	399,779	-	-
Agric	79,748	24,925		
	1,289,168	1,668,575	-	-

(ii) Analysis on insurance claims and benefits incurred on life business:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Short term insurance contract	962,771	1,372,899	-	-
Long term insurance contract	842,627	810,411	-	-
Increase/decrease in outstanding claims short term insurance contract	43,755	191,969	-	-
Increase/decrease in outstanding claims long term insurance contract	111,584	(11,500)	-	-
Increase/decrease in investment contract liabilities	-	(126,776)	-	-
	1,960,737	2,237,003	-	-

(iii) Analysis on insurance claims and benefits incurred on healthcare business:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Short term insurance contract	123,898	156,923	-	-

39 Insurance claims and benefits incurred - recoverable from reinsurers

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Insurance claims and benefits incurred- recoverable on non-life business (see note 39(i) below)	599,636	554,305	-	-
Insurance claims and benefits incurred-recoverable on life business (see note 39(ii) below)	104,531	329,761	-	-
At 31 December	704,167	884,066	-	-

(i) Insurance claims and benefits incurred- recoverable on non-life business:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Motor and accident	49,162	87,715	-	-
Fire and IAR	(106,897)	156,249	-	-
Marine	16,825	17,948	-	-
Engineering	59,272	60,854	-	-
Bond	(173)	(6,355)	-	-
Special risk	533,791	234,147	-	-
Agric	47,656	3,747		
At 31 December	599,636	554,305	-	-

(ii) Insurance claims and benefits incurred- recoverable on life busines:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Short term insurance contract	(139,581),531	326,019	-	-
Changes in incurred But not reported claims (IBNR)	35,051	3,742	-	-
	(104,531)	329,761	-	-
Decrease/Increase in short term insurance contract liabilities	(462,513)	568,052	-	-

40 Underwriting expenses

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Acquisition costs: Non-life business	2,034,808	1,780,509	-	-
Accommodation costs	58,569	51,013	-	-
Communication costs	99,187	400,819	-	-
Business & Administration expenses	927,796	862,918	-	-
Acquisition costs: Life	268,054	305,671	-	-
Acquisition costs: Healthcare	17,002	37,451	-	-
Salaries & Allowances - underwriting employees	1,149,818	1,044,806	-	-
Other commissions	51,498	53,946	-	-
At 31 December	4,606,732	4,537,133	-	-

41 Net Interest Income

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Gross Interest Income:				
Interest income on placement with local banks	43,354	403,394	9,387	34,501
Interest income on treasury bills	33,024	121,069	172	588
Interest income on bonds	30,964	31,757		
Interest income on loans and receivables	225,143	199,415	-	1,843
Interest income on advances under finance lease	27,647	83,332	-	-
	360,132	838,967	9,558	36,932
Interest expense:				
Interest expense on overdraft with local banks	(13,021)	(6,339)	-	-
Interest expense on borrowings	(187,468)	(1,467,552)	(223,744)	(1,370,069)
	(200,489)	(1,473,892)	(223,744)	(1,370,069)
Interest expense on lease obligation	-	(18,961)	(5,912)	(18,961)
Net interest income	159,643	(653,885)	(220,097)	(1,352,098)

42 Investment and other income

Included in investment and other income are results from sale and disposals of financial and other investments and dividend income. Analysis of the balance as at period end is as follows:

In thousands of Naira	Group 31-Dec-20 Net investment income	Group 31-Dec-19 Net investment income	Company 31-Dec-20 Net investment income	Company 31-Dec-19 Net investment income
Dividend from Investment securities	-	-	1,003	-
*At fair value through profit/loss	181,051	26,753	-	810
Dividend from Investment in subsidiaries	-	-	229,291	-
Income on disposal of equities (FVTPL & FVTOCI)	-	-	-	1,180,405
*At fair value through Other Comprehensive Income (FVTOCI)	-	40,028	-	-
*At fair value through profit/loss (FVTPL)	-	41,698	-	-
Disposal of Annuity portfolio	(84,585)	-	-	-
Loss on disposal Investment properties	(10,200)	-	-	-
Cash and cash equivalents	489,485	654,274	-	-
Income on annuity	47,399	162,058	-	-
Deposits with credit institutions	-	27,873	-	-
Finance income	35,583			
	658,733	**952,684**	**230,294**	**1,181,215**

Notes to the Financial Statements

43 Net fair value gain or (loss) on financial assets

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
	Changes in fair value	Changes in fair value	Changes in fair value	Changes in fair value
Equity securities:				
*At fair value through profit/loss	159,577	(134,251)	3,000	(6,264)
Investment properties	(124,270)	42,161	-	-
	35,307	**(92,090)**	**3,000**	**(6,264)**

44 Charge/(write-back) of impairment allowance

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Impairment allowance on premium receivables	18,473	(96,794)	-	-
Impairment allowance on reinsurance receivables	(278,117)	(224,416)	-	-
Impairment allowance on loans and advance	(8,280)	(1,032)	-	-
Impairment allowance on other receivables	-	(15,088)	-	-
Impairment allowance investment property	-	58,048	-	-
	(267,924)	**(279,282)**	**-**	**-**

44(a) ECL Impairment Allowance

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Cash & cash equivalent	33,650	56,729	2,427	(77)
Treasury bills	(6,628)	(921)	26	(21)
FGN bonds	9,266	(9,315)	-	-
Mortgage loan	4,879	7,747	-	-
Intercompany	50,253	(137,086)	27,839	(74,836)
Other assets	(77,485)	5,512	(74,599)	-
At 31 December	**13,935**	**(77,334)**	**(44,308)**	**(74,934)**

45 Other operating income

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Management fee income from subsidiaries	-	-	36,713	46,801
Other operating income (see note 45(i))	612,480	500,720	118,513	169,451
At 31 December	**612,480**	**500,720**	**155,225**	**216,252**

(i) Analysis of Other operating income

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Rental income	75,712	106,149	-	-
Profit on disposal of property & equipment	51,764	(11,164)	-	-
Interest on loan & advances	1,379	40,712	748	-
Trustee fee income	1,510	1,534	1,510	1,534
Other income	235,393	53,489	116,255	167,917
Insurance Brokerage Commission	233,731	310,000	-	-
Fees for services rendered	12,991	-	-	-
At 31 December	**612,480**	**500,720**	**118,513**	**169,451**

46 Foreign exchange gains

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Gains on translation of foreign currency transactions	**73,318**	**64,554**	**-**	**-**

Notes to the Financial Statements

47 Management expenses

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Salaries and allowances of other employees	633,792	737,132	115,806	84,251
Post-employment defined benefit expenses	3,025	(41,205)	-	-
Redundancy Cost	497	-	-	-
Terminal Benefits	63,077	10,881	63,077	284
Audit fees	38,250	36,732	8,600	8,000
Amortization and impairment charges	6,496	7,355	-	-
Depreciation on property and equipment	127,213	159,520	3,016	9,262
Depreciation on Right of use (Motor Vehicle)	-	-	9,994	10,300
Depreciation on Right of use (Rent Repayment)	19,928	29,871	-	-
Promotional and advert expense	12,145	7,924	1,690	1,368
Rent and rates	6,370	5,552	-	-
Directors' fees	3,673	14,563	-	356
Directors' Sitting allowances	889	6,778	889	6,778
Directors' Other allowances	17,230	74,704	11,553	74,704
Donations	2,000	100	-	-
Bank charges	75,285	27,746	857	1,462
Legal fee	70,081	19,706	2,379	4,989
Insurance premium	12,753	19,962	4,932	5,556
Accounting consultancy fee	91,201	168,283	3,138	101,026
Investment expenses	17,069	21,408	-	-
Finance cost	117,454	46,525	-	-
Finance cost-Right of use Asset	-	389	-	-
Power charges	36,627	43,810	3,785	2,520
Government charges	44,949	43,097	-	-
Stationeries	1,967	1,579	-	8
Printing external	8,291	14,953	203	258
Repairs and maintenance	91,691	88,517	987	2,082
Transport expenses	68,277	118,959	3,134	25,820
Software expenses	19,653	1,386	-	-
Subscription and journals	9,623	19,107	2,271	2,278
Marketing expenses	581,449	622,997	-	-
Fine paid (contravention)	6,190	1,360	5,190	1,360
VAT Paid	2,295	5,800	-	-
Other administrative expenses	80,972	39,807	32,137	37,165
At 31 December	**2,270,412**	**2,355,298**	**273,638**	**379,826**

Other expenses concern entertainment and representation, board meeting expenses and expenses incurred for the day to day running of the Group during the period.

48 Earnings per share

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Basic and diluted earnings per share(kobo)	(8)	(26)	(3)	(8)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
(Loss)/Profit for the year attributable to owners of the company	(388,576)	(1,358,779, 816)	(149,943)	(422,792)
Number of ordinary shares for the purpose of basic and diluted earnings per share	5,145,370	5,145,370	5,145,370	5,145,370

48 Earnings per share

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Loss per share(kobo)	(8)	(26)	(3)	(8)

Notes to the Financial Statements

The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Loss for the year attributable to owners of the company	(388,576)	(1,358,779)	(149,943)	(422,792)
Number of ordinary shares for the purpose of basic and diluted earnings per share	5,145,370	5,145,370	5,145,370	5,145,370

49 Cash and cash equivalents for Cash Flow Purposes

For the purposes of the statement of cash flow, cash and cash equivalents include cash, bank balances, investment in short term deposits (demand and time deposits) with a maturity date of 3 months or less upon acquisition and bank overdrafts.

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Cash (see note 5)	7,093	6,448	90	100
Bank balances (see note 5)	888,509	936,427	49,980	14,251
Short-term deposits (see note 5)	11,913,370	14,953,997	106,824	330,323
	12,808,972	**15,896,872**	**156,894**	**344,674**

50 Reconciliation notes to consolidated and separate statement of cashflows

(i) ***Net decrease/increase in employee retirement benefit:***

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Changes in employee retirement benefit asset	38,481	(11,799)	-	-
Changes in employee retirement benefit liability	2,083	9,012	238	906
Net changes	40,564	(2,787)	238	906
Cash payment to employees	-	2,738	-	-
Net actuarial gains recognized in OCI	(74,038)	(37,682)	92	(759)
Total changes recognized in statement of cashflows	**(33,474)**	**(37,731)**	**330**	**147**

(ii) Net Increase/(decrease) in other receivable and prepayments:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Net changes in other receivable and prepayments	93,036	250,593	170,664	65,627
Dividend income	181,051	26,753	-	-
Rent received	(75,712)	106,149	-	-
Write-backs recognized in profit or loss	50,253	7,771		-
Impairment recognized in profit or loss	(77,485)	(131,574)	(44,308)	(74,934)
Total changes recognized in statement of cash flows	**171,143**	**259,692**	**126,357**	**(9,307)**

(iii) Net Increase/(decrease) in trade receivable:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Net changes in trade receivable	(17,698)	380,989	-	-
Impairment allowance on reinsurance receivables (see note 10(b)(i))	278,117	211,920	-	-
Write back of impairment on premium receivables (see note 10(a)(i)	18,473	38,745	-	-
Impairment allowance on premium receivables (see note 10(a)(i))	-	-	-	-
Total changes recognized in statement of cash flows	**278,892**	**631,654**	**-**	**-**

(iv) Net Increase/(decrease) in reinsurance asset:

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Net changes in reinsurance asset	692,317	287,203	-	-
Write-backs recognized in profit or loss	-	-	-	-
Total changes recognized in statement of cash flows	692,317	287,203	-	-

(v) Changes in financial assets

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Changes in financial assets		-		
At 31 December	**2,466,691**	**593,367**	**-**	**19,975**
Impairment recognised in profit or loss	7,517	(30,709)	-	-
Foreign exchange gain recognised in profit or loss		64,554	-	-
Fair value changes recognised in OCI	321,502	10,193	-	-
Fair value changes on recognised in profit or loss	159,577	(134,251)	3,000	(3,033)
Redemptions/disposals	(3,025,410)	(2,951,937)	(3,850)	(54,474)
Interest accrued	245,459	-	-	47,725
Net redemption	(2,291,354)	(3,042,150)	(850)	(9,782)
Transfers	-	-	-	(47,840)
Purchases	4,758,045	2,448,783		37,647
At 31 December	**2,466,691**	**(593,367)**	**(850)**	**(19,975)**

Notes to the Financial Statements

		Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
(vi)	Changes in provision for outstanding claims:				
	Changes in outstanding claims on group-life insurance	43,893	191,968	-	-
	Changes in outstanding claims on individual-life insurance	111,583	(11,500)	-	-
	Changes in outstanding claims on non-life general insurance (including IBNR)	(845,359)	(442,813)	-	-
	Changes in claims and unadjusted expense on health insurance	-	-	-	-
	Cash paid for claims settled in the year		-	-	-
	– Arising from current-year claims	(11,939)	5,645	-	-
	– Arising from prior year claims	-	-	-	-
	Increase/(decrease) in insurance contract liabilities on life insurance	462,375	441,276	-	-
	Repayment of annuity	(1,195,094)			
	Total changes recognized in statement of cash flows	**(1,434,541)**	**184,576**	**-**	**-**
(vii)	Changes in unearned premium:				
	Changes in unexpired risk on non-life general insurance	296,171	(283,995)	-	-
	Changes in provisions for unearned premiums and unexpired short term insurance risks	-	-		
	– Increase in period	226,511	298,805	-	-
	– Release in the period	(232,026)	(320,287)	-	-
	Changes in unearned premium on life insurance contract liability	(26,457)	71,923	-	-
	Total changes recognized in statement of cash flows	**264,199**	**(233,554)**	**-**	**-**
(viii)	Changes in loans and advances to customers				
	Net changes in loans and advances to customers	(137,540)	(5,706)	-	-
	Interest income	225,143	199,415	-	-
	Interest income received	-	-	-	-
	Impairment allowance recognized in profit or loss	(8,280)	(1,032)	-	-
	Total changes recognized in statement of cash flows	**79,323**	**192,677**	**-**	**-**
(ix)	Changes in advances under finance lease				
	Net changes in advances under finance lease	129,370	(50,963)	-	-
	Interest income	-	83,332	-	-
	Total changes recognized in statement of cash flows	**129,370**	**32,369**	**-**	**-**
(x)	Changes in depositors fund				
	Net changes in depositors fund	(419,930)	216,670	-	-
	Total changes recognized in statement of cash flows	**(419,930)**	**216,670**	**-**	**-**
	Gain or loss on disposal of asset				
	Proceeds from sale of property and equipment				
	Cost of property and equipment	85,913	142,521	-	-
	Accumulated depreciation	(34,989)	(139,320)	-	-
	Profit on disposal	51,764	1,416	-	-
	Proceed from sale of property and equipment	**102,688**	**4,617**	**-**	**-**

51 Capital management

The group manages its capital to ensure that it will be able to continue as a going concern and comply with the regulators' capital and solvency requirements for every of its subsidiaries whose capital is regulated, while maximizing return to stakeholders through the optimization of the equity balance

The capital structure of the group consists of only equity attributable to equity holders of the company, comprising issued capital, reserves and retained earnings.

The regulatory capitals of the subsidiaries in insurance and banking and asset management have been maintained and preserved over the reporting periods. The regulatory capital within the insurance industry in Nigeria, in which the entity has its major operations, is N3billion and N2billion for Non-life and Life businesses respectively. Also, the regulatory capital for unit microfinance bank is N20million, same as for the group's finance house business.

The insurance industry regulator, NAICOM, measures the financial strength of Non-life underwriters through a solvency margin model. The Insurance Act, under section 24, defines solvency margin of a Non-life underwriter as the difference between the admissible assets and liabilities which shall not be less than 15% of Net premium income or the minimum capital base of N3billion, whichever is higher. The regulation requires non- life underwriters to maintain a minimum of 100% solvency margin. The Group's Solvency requirement was revalidated by Ernst & Young, the Company's Consultant Actuaries.

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

The solvency position of the Non-life insurance business

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.

In thousands of Naira	Group **31-Dec-20**	Group **31-Dec-19**
Admissible Assets		
Cash and cash equivalents	8,855,782	10,619,459
Financial assets:		
- At fair value through profit or loss	756,657	666,176
- At fair value through other comprehensive	4,288,656	701,340
- Amortized Cost	93,735	44,674
Trade receivables	69,468	53,837
Reinsurance assets	1,744,049	2,235,297
Deferred acquisition cost	225,256	162,488
Other receivables and prepayment		141,998
Investment in associates	453,145	449,521
Investment properties	1,771,341	2,147,823
Statutory deposit	340,000	340,000
Right of Use Assets	71,472	76,895
Property and equipment	96,081	30,059
Intangible assets	-	-
Employees benefits assets	257,168	295,649
A	**19,022,809**	**17,965,216**
Less: Admissible liabilities		
Bank overdrafts	32,699	29,030
Trade and other payables	7,739,026	5,998,661
Provision and other payables	1,109,902	734,950
Deferred income	138,244	109,332
Insurance liabilities	4,042,104	4,591,292
Finance lease obligations	55,703	63,927
Borrowings	-	-
Employees benefits obligations	26,893	24,750
Current income tax liabilities	388,492	293,033
Deposit for share	-	-
B	**13,533,063**	**11,844,975**
Solvency margin (A-B)	5,489,746	6,120,241
Minimum paid up capital	3,000,000	3,000,000
Net premium from Non-Life Insurance Business	5,275,791	5,501,036
15% of Net premium	791,369	825,155

The Group’s non-life solvency margin of N5,489,746.000 (2018: N6,120,241,000) is above the minimum paid up capital of N3,000,000,000 (2019: N3,000,000,000) prescribed by the Insurance Act of Nigeria.

The solvency position of the Life insurance business
The solvency margin of the life business of₦973 million (2019: ₦1.63 billion) is below the minimum capital of N2 billion prescribed by the Insurance Act of Nigeria. In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via both capital raising and sale of some of the Company's investment properties.

In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via both capital raising and sale of some of the Company's investment properties.

Notes to the Financial Statements

The asset cover of the Company on the valuation date of 31 December, 2020 was 93.5%. That is, the admissible assets representing the Life Fund (including outstanding claims) and deposit administration funds, amounting to ₦5.47billion were 93.5% of the actuarially determined gross liabilities of ₦N5.85billion.

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

In thousands of Naira	Group **31-Dec-20**	Group **31-Dec-19**
Shareholders’ fund as per financial position	1,466,577	1,974,596
Less: Intangible assets	-	(172)
Deposit for shares	-	-
Capital resources on a regulatory basis	**1,466,577**	**1,974,424**
Shareholders' funds upon approval for deposit for shares	**1,466,577**	**1,974,424**

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

52 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 Group’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 Group’s risk management strategy is an integral part of managing the Group’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 Group monitors and manages the financial risks relating to the operations of the organization through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

53 Fair value of financial instruments

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 Group 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 and the Group 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 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 Group has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

a Fair value hierarchy

IFRS 13 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 Group’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

Notes to the Financial Statements

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 Group considers relevant and observable market prices in its valuations where possible.

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

Group
31-Dec-20

In thousands of Naira		**Leve l**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	8(a)	1,162,188	-	-	1,162,188
		1,162,188	-	-	1,162,188
Fair value through Other Comprehensive Income:-					
Federal government bonds	8(b)	3,825,887			3,825,887
Treasury bills	8(b)	241,128			241,128
Unlisted equities	8(b)	684,362			684,362
Specific impairment allowance	8(b)	(13,027)			(13,027)
		4,738,350	-	-	4,738,350
Total financial assets measured at Fair value		**5,900,538**	**-**	**-**	**5,900,538**

Group
31-Dec-19

In thousands of Naira		**Leve l**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	8(a)	977,317	-	-	977,317
		977,317	**-**	**-**	**977,317**
Fair value through Other Comprehensive Income:-					
Federal government bonds	8(b)	358,821			358,821
Treasury bills	8(b)	345,212			345,212
Unlisted equities	8(b)	616,230			616,230
Bonds: Annuity fund	8(b)	1,187,960			1,187,960
Specific impairment allowance	8(b)	(15,639)			(15,639)
		2,492,584	**-**	**-**	**2,492,584**
Total financial assets measured at fair value		**3,469,901**	-	-	**3,469,901**

Company
31-Dec-20

Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	8(a)	21,508	-	-	21,508
		21,508	**-**	**-**	**21,508**
Total financial assets measured at fair value		**21,508**	**-**	**-**	**21,508**

Company
31-Dec-19

Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	8(a)	18,508	-	-	18,508
		18,508	**-**	**-**	**18,508**
Total financial assets measured at fair value		**18,508**	**-**	**-**	**18,508**

Notes to the Financial Statements

b Financial instruments not measured at fair value

The fair value information for financial assets and financial liabilities not measured at fair value has not been disclosed because the carrying amount is a reasonable approximation of its fair value. These financial instruments include:

Cash and cash equivalents

Cash and cash equivalents consist 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.

Amortized Cost

Amortized consist consists of placements with financial institutions and staff mortgage loans.

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

Trade receivables and other receivables

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

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

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

C Financial risks

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

i *Market risk*

This reflects the possibility that the value of the Group’s 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 Group is exposed to this risk through its financial assets and comprises of 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 Group 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 Group’s principal products and the associated control techniques is detailed below.

Foreign Currency risk

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

The Group has minimal exposure to currency risk as the Group’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 Group’s foreign currency denominated assets and liabilities are as follows:

Group

31-Dec-20

In thousands of Naira	Pounds sterling	Euro	US Dollars	Total
Assets (cash & cash equivalent)	921	40,964	8,462,430	8,504,315
Liabilities			(7,417,516)	(7,417,516)
	921	**40,964**	**1,044,914**	**1,086,799**

31-Dec-19

In thousands of Naira	Pounds sterling	Euro	US Dollars	Total
Assets (cash & cash equivalent)	1,229	47,265	647,596	696,090
Quoted equities			-	-
Loans and receivables				-
Liabilities			(5,775,254)	(5,775,254)
	1,229	47,265	(5,127,658)	(5,079,164)

Foreign currency sensitivity analysis

The following table details the Group'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.

31-Dec-20

In thousands of Naira	Pounds sterling	Euro	US Dollars	Total
10% increase	92	4,096	104,491	108,680
10% decrease	(92)	(4,096)	(104,491)	(108,680)
Impact of increase on:				
Pre-tax profit				238,720
Shareholders' equity				3,771,112
Impact of decrease on:				
Pre-tax profit				21,360
Shareholders' equity				3,553,752

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 realizes the impact of the foreign exchange results for tax.

31-Dec-19

In thousands of Naira	Pounds sterling	Euro	US Dollars	Total
10% increase	123	4,727	(512,766)	(507,916)
10% decrease	(123)	(4,727)	512,766	453,181
Impact of increase on:				
Pre-tax profit				(1,524,141)
Shareholders' equity				3,473,925
Impact of decrease on:				
Pre-tax profit				(508,308)
Shareholders' equity				4,489,757

Interest rates risk

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

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

Changes in interest rates result to reduction in income 'spread' or the difference between the amounts that the Group is required to pay under the contracts and the rate of return the Group 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 Group'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 its liability cash flow

Also, the Group 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 Group uses sensitivity analysis to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

The Group is very moderately 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 Group's interest-bearing financial instruments as reported to the Management of the Group are as stated below:

Notes to the Financial Statements

Group
Financial instruments

In thousands of Naira	Notes	31-Dec-20	31-Dec-19
Cash and cash equivalents	5	11,913,370	12,078,386
Bonds: Annuity fund	8(b)	-	1,187,960
Federal government bonds	8(b)& (c)	3,825,887	358,821
Treasury bills	8(b)& (c)	252,224	360,184
Staff personal loans	8c	-	295
Staff mortgage loans	8c	107,202	53,161
Policy holders Loan	8c	96,212	106,706
Other loans and advances	8c	1,646	8,873
Loans and advances	6	1,044,098	906,558
Advances under finance lease	7	88,201	217,571
Statutory deposits	20	555,000	555,000
		17,883,840	**15,833,515**

In addition to the financial instruments listed above, the Group has borrowings amounting to ₦2.2billion (2019: ₦2.3billion) and depositors funds amounting to ₦1.43billion (2019: ₦1.8billion). The impact on interest sensitivity information below for borrowings is 0.5% of ₦2.2billion, which is ₦11million (2019: ₦11.5 million) while the impact on depositors' funds is 0.5% of ₦1.8 billion, which is ₦7million (2019: ₦8million)

Company
Financial instruments

In thousands of Naira	31-Dec-20	31-Dec-19
Fixed Interest rate instructions		
Cash and cash equivalents	106,824	156,630
	106,824	156,630

In addition to the financial instruments listed above, the Company has borrowings amounting to N2.3billion (2019: N2.4billion). The impact on interest sensitivity information below is 0.5% of N2.4billion, which is N12million (2019: N12million).

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.

In thousands of Naira	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
Increase in interest rate by 50 basis points (+0.5%)	71,674	58,863	534	783
Decrease in interest rate by 50 basis point (-0.5%)	(71,674)	(58,863)	(534)	(783)
Equity and profit after adjustments				
Pre-tax profit	201,714	423,914	(148,990)	(414,871)
Shareholders' equity	3,734,106	5,196,383	4,317,690	4,467,790
Equity and profit after adjustments				
Pre-tax profit	58,366	229,828	(150,058)	(416,438)
Shareholders' equity	3,590,758	5,002,297	4,316,622	4,466,224

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

Equity price risk management
The Group 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 Group with opportunity for return through dividend income and capital appreciation.

Equity investments designated as fair value through other comprehensive income are held for strategic rather than trading purposes. The Group has no significant concentration of price risk.

Notes to the Financial Statements

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

	Notes	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
		₦'000	₦'000	₦'000	₦'000
Equity Securities; - quoted (fair value through profit or loss)	8(a)	1,162,188	977,317	21,508	18,508
Equity Securities; - unquoted (fair value through Other Comprehensive Income)	8(b)	684,362	600,591	-	-
		1,846,550	**1,577,908**	**21,508**	**18,508**

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 and shareholders' equity based on the exposure to equity price risk at the reporting date

	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
	₦'000	₦'000	₦'000	₦'000
10% increase	184,655	157,791	2,151	1,851
10% decrease	(184,655)	(157,791)	(2,151)	(1,851)
Equity and profit after adjustments				
Pre-tax profit	314,695	(858,434)	(147,373)	(413,804)
Shareholders' equity	3,847,087	4,142,208	4,319,306	4,468,858
Equity and profit after adjustments				
Pre-tax profit	(54,615)	(1,174,015)	(151,675)	(417,505)
Shareholders' equity	3,477,777	3,825,626	4,315,005	4,465,156

(ii) ***Credit risk***

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

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets.

The Group 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 Group 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 Group uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers

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

The Group is exposed to credit risk via

- Debt securities
- Reinsurance assets
- Loans and receivables to policyholders, agents and intermediaries
- Cash and cash equivalents
- Trade/insurance receivables

Notes to the Financial Statements

a Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 53(c)(ii)(b) for a description of how the Group determines when a significant increase in credit risk has occurred.
  If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 53(c)(ii)(b)(v) for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 53(c)(ii)(c) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 53(c)(ii)(d) includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit quality since initial recognition

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

b *Significant increase in credit risk*

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

i Quantitative criteria:

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

Credit risk grades

The Group allocates each exposure to a credit risk grade based on independent rating by credit rating agencies. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Significant increase in credit risk is also determined through the use of notch differences.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	Retail exposures	All exposures
· Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	· Internally collected data on customer behavior — e.g. utilization of credit card facilities	· Payment record —this includes overdue status as well as a range of variables about payment ratios
· Data from credit reference agencies, press articles, changes in external credit ratings	· Affordability metrics	· Utilization of the granted limit
· Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	· External data from credit reference agencies including industry-standard credit scores	· Existing and forecast changes in business, financial and economic conditions

ii **Qualitative criteria:**

if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a counterparty level for financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

iii **Backstop**

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

iv ***Definition of default***

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

Quantitative criteria

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

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

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

(c) **Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

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

* The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

* Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the instruments. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

* For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

* For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group’s recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

* For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

* For unsecured products, LGD’s are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD’s are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 53(c)(ii)(d) for an explanation of forward- looking information and its inclusion in ECL calculations.
The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a periodic basis.
There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process.

In addition to the base economic scenario, the Group also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 53(c)(ii)(b). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Notes to the Financial Statements

(d) ***Credit risk exposure***
Maximum exposure to credit risk – Financial instruments subject to impairment

For ECL purposes, the Group's financial asset is segmented into sub-portfolios are listed below:

- Placement with other banks
- Investment securities
- Mortgage loans
- Loans and Advances

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

Group

Short term deposits (Fixed deposits)

	2020					2019
ECL staging	**Stage 1**	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
Investment grade	-	-	-	-	-	-
Speculative Grade	11,915,016	-	-	-	11,915,016	12,087,259
Gross carrying amount	**11,915,016**	**-**	**-**	**-**	**11,915,016**	**12,087,259**
Loss allowance	(1,916)	-	-	-	(1,916)	(35,884)
Carrying amount	**11,913,100**	**-**	**-**	**-**	**11,913,100**	**12,051,375**

Investment Securities

	2020					2019
ECL staging	**Stage 1**	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
Investment grade	4,078,111	-	-	-	4,078,111	1,906,965
Speculative Grade	96,212	-	-	-	96,212	107,001
Gross carrying amount	**4,174,323**	**-**	**-**	**-**	**4,174,323**	**2,013,966**
Loss allowance	(13,027)	-	-	-	(13,027)	(15,639)
Carrying amount	**4,161,296**	**-**	**-**	**-**	**4,161,296**	**1,998,327**

Notes to the Financial Statements

Mortgage loans						
			2020			2019
ECL staging						
	Stage 1	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
Investment grade	107,202	-	-	-	107,202	53,161
Standard monitoring	-	-	-	-	-	-
Special monitoring	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	**107,202**	**-**	**-**	**-**	**107,202**	**53,161**
Loss allowance	(5,418)	-	-	-	(5,418)	(10,323)
Carrying amount	**101,784**	**-**	**-**	**-**	**101,784**	**42,838**

Loans and Advances under Finance Lease						
			2020			2019
ECL staging						
	Stage 1	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
	677,762	46,977	708,802		1,433,542	1,417,092
Gross carrying amount	**677,762**	**46,977**	**708,802**	**-**	**1,433,542**	**1,417,092**
					-	
Loss allowance	(166,475)	(7,579)	(127,188)	-	(301,243)	(292,966)
Carrying amount	**511,287**	**39,397.91**	**581,614**	**-**	**1,132,299**	**1,124,126**

Company

Investment Securities						
			2020			2019
ECL staging						
	Stage 1	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
Investment grade	-	-	–	–	-	-
Speculative Grade	1,096	-	–	–	1,096	4,972
Gross carrying amount	**1,096**	**-**	**-**	**-**	**1,096**	**4,972**
Loss allowance	0	-	-	-	-	(26)
Carrying amount	**1,096**	**-**	**-**	**-**	**1,096**	**4,946**

Notes to the Financial Statements

Short term deposits (Fixed deposits)						
	2020					2019
ECL staging						
	Stage 1	**Stage 2**	**Stage 3**			
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade						
Investment grade	-	-	–	–	-	-
Speculative Grade	106,824	-	–	–	106,824	156,630
Gross carrying amount	**106,824**	**-**	**-**	**-**	**106,824**	**156,630**
Loss allowance	(71)	-	-	-	(71)	(2,716)
Carrying amount	**106,754**	**-**	**-**	**-**	**106,754**	**153,914**

Maximum exposure to credit risk – Financial instruments not subject to impairment
The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	Maximum exposure to credit risk N'000
Trading assets	
• Debt Securities	
Financial assets designated at fair value	
• Debt securities	

Investment securities
The Group holds investment securities measured at amortized cost with a carrying amount of N108,954,000. The investment securities held by the Group are fixed deposit and treasury bills which are not collateralized.

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period (see note 3.1.5).

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

Group

Investment securities	Stage 1 12-month ECL N'000	Stage 2 Lifetime ECL N'000	Stage 3 Lifetime ECL N'000	Purchased credit-impaired N'000	Total N'000
Loss allowance as at 1 January 2020	**25,962**	**-**	**-**	**-**	**25,962**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	18,445	-	-	-	18,445
Matured financial assets	(25,962)	-	-	-	(25,962)
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount[(a)]	-	-	-	-	-
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**18,445**	**-**	**-**	**-**	**18,445**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 December 2020	**18,445**	**-**	**-**	**-**	**18,445**

Short term deposits (Fixed deposit)	Stage 1 12-month ECL N'000	Stage 2 Lifetime ECL N'000	Stage 3 Lifetime ECL N'000	Purchased credit-impaired N'000	Total N'000
Loss allowance as at 1 January 2020	**35,884**	**-**	**-**	**-**	**35,884**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	1,916	-	-	-	1,916
Matured financial assets	(35,884)	-	-	-	(35,884)
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount[(a)]	-	-	-	-	-
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**1,916**	**-**	**-**	**-**	**1,916**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 December 2020	**1,916**	**-**	**-**	**-**	**1,916**

Notes to the Financial Statements

	Stage 1	Stage 2	Stage 3		
Loans and Advances under Finance Lease	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Loss allowance as at 1 January 2020	**37,710**	**381**	**255,416**	**-**	**293,507**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	166,475	7,579	127,188	-	301,243
Matured financial assets	(37,710)	(381)	(255,416)	-	(293,507)
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount[(a)]	-	-	-	-	-
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**166,475**	**7,579**	**127,188**	**-**	**301,243**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Loss allowance as at 31 December 2020	**166,475**	**7,579**	**127,188**	**-**	**301,243**

The following table further explains changes in the gross carrying amount of the investment securities portfolio to help explain their significance to the changes in the loss allowance for the same portfolio.

	Stage 1	Stage 2	Stage 3		Total
Investment securities	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount as at 1 January 2020	2,693,230	-	-	-	2,693,230
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(2,693,230)	-	-	-	(2,693,230)
New financial assets originated or purchased	4,281,525	-	-	-	4,281,525
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes in interest accrual	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**4,281,525**	**-**	**-**	**-**	**4,281,525**

Notes to the Financial Statements

Short term deposits (Fixed Deposits)	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount as at 1 January 2020	12,078,386	-	-	-	12,078,386
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(12,078,386)	-	-	-	(12,078,386)
New financial assets originated or purchased	11,913,370	-	-	-	11,913,370
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes in interest accrual	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**11,913,370**	**-**	**-**	**-**	**11,913,370**

Loans and Advances under Finance Lease	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount as at 1 January 2020	1,417,092	-	-	-	**1,417,092**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(1,417,092)	-	-	-	(1,417,092)
New financial assets originated or purchased	1,433,542	-	-	-	1,433,542
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes in interest accrual	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**1,433,542**	**-**	**-**	**-**	**1,433,542**

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Company

Investment securities	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Purchased credit-impaired	Total
	N'000	N'000	N'000	N'000	N'000
Loss allowance as at 1 January 2020	**26**	**-**	**-**	**-**	**26**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	(0)	-	-	-	(0)
Matured financial assets	(26)	-	-	-	(26)
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount[(a)]	-	-	-	-	-
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**(0)**	**-**	**-**	**-**	**(0)**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**(0)**	**-**	**-**	**-**	**(0)**

Short term deposits (Fixed deposit)	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Purchased credit-impaired	Total
	N'000	N'000	N'000	N'000	N'000
Loss allowance as at 1 January 2020	**2,716**	**-**	**-**	**-**	**2,716**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	71	-	-	-	71
Matured financial assets	(2,716)	-	-	-	(2,716)
Changes in PDs/LGDs/EADs	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
Unwind of discount[(a)]	-	-	-	-	-
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**71**	**-**	**-**	**-**	**71**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**71**	**-**	**-**	**-**	**-**

The following table further explains changes in the gross carrying amount of the investment securities portfolio to help explain their significance to the changes in the loss allowance for the same portfolio.

Notes to the Financial Statements

Investment securities	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount as at 1 January 2020	4,972	-	-	-	**4,972**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	(4,972)	-	-	-	(4,972)
New financial assets originated or purchased	1,096	-	-	-	1,096
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes in interest accrual	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**1,096**	**-**	**-**	**-**	**1,096**

Short term deposits (Fixed Deposits)	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Gross carrying amount as at 1 January 2020	156,630	-	-	-	**156,630**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(156,630)	-	-	-	(156,630)
New financial assets originated or purchased	106,824	-	-	-	106,824
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes in interest accrual	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2020	**106,824**	**-**	**-**	**-**	**106,824**

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Modification of financial assets

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

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

Notes to the Financial Statements

Credit concentrations

Geographical Location

Group

In thousands of Naira	Cash and cash equivalents	Loans and advances to customers	Advances under finance lease	Investment securities	Trade/ Insurance receivables	Reinsurance assets	Other receivables and prepayments	Total
31-Dec-20								
In Nigeria:								
North East	16,089	-	-	-	2,355.68	-	15,465	33,909
North Central	42,808	-	-	-	28,943	-	24,617	96,368
North West	107	-	-	-	349	-	35,982	36,438
South East	9,251	-	-	-	-	-	92,557	101,808
South South	50,507	-	-	-	319	-	118,226	169,052
South West	12,688,294	1,044,098	88,201	6,111,275	104,124	2,195,156	184,705	22,415,853
	12,807,056	**1,044,098**	**88,201**	**6,111,275**	**136,090**	**2,195,156**	**471,551**	**22,853,428**

In thousands of Naira	Cash and cash equivalents	Loans and advances to customers	Advances under finance lease	Investment securities	Trade/ Insurance receivables	Reinsurance assets	Other receivables and prepayments	Total
31-Dec-19								
In Nigeria:								
North East	26,374	-	-	-	120	38,010	12,334	76,838
North Central	1,356	78,937	-	-	-	-	16,445	96,738
North West	1,920	10,016	-	-	9	-	28,778	40,723
South East	4,520	-	-	-	185	-	74,002	78,707
South South	29,720	578	-	-	496	-	94,558	125,352
South West	13,771,051	817,007	217,571	3,644,580	117,583	2,849,463	338,469	21,755,724
	13,834,940	**906,538**	**217,571**	**3,644,580**	**118,393**	**2,887,473**	**564,586**	**22,174,082**

Notes to the Financial Statements

Sectorial analysis

Group

In thousands of Naira	Cash and cash equivalents	Loans and advances to customers	Advances under finance lease	Financial asset	Trade/ Insurance receivables	Reinsurance assets	Other loans and receivables	Total
31-Dec-20								
In Nigeria:								
Agriculture	-	51,428	-	-	-	-	-	51,428
Manufacturing	-	1,567	-	-	-	-	-	1,567
Trade and commerce	-	356,539	-	-	-	-	-	356,539
Finance and insurance	3,710,603	199,885	-	980,431	110,777	451,107	878,766	6,331,569
Real estate and construction	-	210,013	-	-	-	-	-	210,013
Education	-	222,869	-	-	-	-	-	222,869
Others	9,096,453	1,797	88,201	5,130,844	25,313	1,744,049	- 407,215	15,679,442
	12,807,056	**1,044,098**	**88,201**	**6,111,275**	**136,090**	**2,195,156**	**471,551**	**22,853,428**

In thousands of Naira	Cash and cash equivalents	Loans and advances to customers	Advances under finance lease	Financial asset	Trade/ Insurance receivables	Reinsurance assets	Other loans and receivables	Total
31-Dec-19								
In Nigeria:								
Agriculture	-	29,613	42,006	-	-	-	-	71,619
Manufacturing	-	4,231	-	-	-	-	-	4,231
Trade and commerce	-	349,223	34,658	-	-	-	-	383,881
Finance and insurance	13,834,940	103,022	129,094	3,644,580	118,393	2,887,473	519,856	21,237,358
Real estate and construction	-	192,580	6,086	-	-	-	-	198,666
Education	-	152,898	265	-	-	-	-	153,163
Others	-	76,990	5,463	-	-	-	44,730	127,183
	13,834,940	**908,558**	**217,571**	**3,644,580**	**118,393**	**2,887,473**	**564,586**	**22,176,102**

(iii) Liquidity risk

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

Management monitors the liquidity of the Group on a daily basis and projects her financial needs over a multi-year time horizon through its quarterly budget and review process. Management believes that the cash flows from the sources of fund available to the Group are sufficient to satisfy the current liquidity requirements of the Group, including under reasonably foreseeable stress scenarios.

In managing liquidity (and of course, capital), the Group seeks to:

- Match the profile of 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 paying claims and other commitments promptly.

Sources of Liquidity

In managing cash flow position, the Group has a number of sources of liquidity, including the following principal sources:

- Premium Income;
- Investment income
- Investment maturities

Notes to the Financial Statements

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 Group's assets are marketable securities which could be converted into cash when required.

Maturity Profile
The following table shows the Group'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 Group anticipates that the cash flow will occur in a different period. Reinsurers' share of unearned premiums are excluded from this analysis.

It also shows details of the expected maturity profile of the Group'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 should be noted that Unit-linked assets and liabilities and reinsurers' share of unearned premiums are excluded from this analysis.

Group
31-Dec-20

In thousands of Naira	Carrying amount	Contractual cashflow	<1 Month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets/ insurance assets							
Cash and cash equivalents	12,807,056	12,807,058	7,843,881	1,967,439	2,995,738	-	-
Fair value through OCI	4,738,350	500,197	-	-	240,975	59,830	199,392
Amortized cost	210,738	209,631	-	16,898	125,387	58,758	8,588
Loans and advances to customers	1,044,098	1,044,098	333,185	126,513	378,637	205,763	-
Advances under finance lease	88,201	88,201	-	23,753	52,379	12,069	-
Trade receivables	136,091	136,091	44,975	82,179	-	8,937	-
Reinsurance assets - recoverable from reinsurers	2,195,156	1,743,252	-	85,005	1,490,757	167,490	-
Statutory deposits	555,000	555,000	-	-	-	555,000	-
	21,774,691	**17,083,529**	**8,222,040**	**2,301,787**	**5,283,874**	**1,067,847**	**207,981**
Non-derivative financial liabilities/ insurance liability							
Borrowing	2,184,877	2,184,877	38,188	1,999,308	-	147,382	-
Trade payable	7,909,847	7,739,026	7,417,516	321,511	-	-	-
Other liability	655,905	3,759,575	1,112,032	36,284	250,424	2,092,853	267,982
Depositors	1,364,220	1,364,219	111,421	86,377	1,158,593	7,828	-
Insurance contract liabilities	9,798,691	5,576,844	-	432,887	1,293,287	2,093,636	1,757,034
Investment contract liabilities	276,980	276,980	-	21,314	146,660	-	109,006
	22,190,520	**20,901,522**	**8,679,156**	**2,897,680**	**2,848,964**	**4,341,699**	**2,134,022**
Gap (asset - liabilities)	**(415,829)**	**(3,817,992)**	**(457,115)**	**(595,893)**	**2,434,909**	**(3,273,852)**	**(1,926,041)**
Cumulative liquidity gap					1,839,016	(1,434,836)	(3,360,877)

Notes to the Financial Statements

31-Dec-19

In thousands of Naira	Note	Carrying amount	Contractual cashflow	<1 Month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets/ insurance assets								
Cash and cash equivalents	5	13,834,940	13,834,939	7,669,523	3,191,494	2,973,923	-	-
Fair value through OCI	8(b)	2,492,584	1,888,174	-	258,525	86,532	1,339,699	203,417
Amortized cost	8©	174,684	177,455	-	23,750	84,176	58,695	10,834
Loans and advances to customers	6	906,558	894,863	308,559	69,876	153,973	362,455	-
Advances under finance lease	7	217,571	217,571	-	18,719	192,178	6,674	-
Trade receivables	10	118,393	117,768	6,300	75,455	36,013	-	-
Reinsurance assets - recoverable from reinsurers	11	2,887,472	2,454,127	-	85,005	2,176,930	192,192	-
Statutory deposits	20	555,000	555,000	-	-	-	555,000	-
		21,187,202	20,139,897	7,984,382	3,722,824	5,703,725	2,514,716	214,251
Non-derivative financial liabilities/ insurance liability								
Borrowing	29	2,276,717	2,265,023	40,280	-	2,197,690	27,053	-
Trade payable	23	6,157,185	6,157,185	5,775,254	381,931	-	-	-
Other liability	24	1,355,677	1,619,921	849,736	44,751	197,204	306,432	221,797
Depositors	25	1,784,150	1,819,403	834,786	893,567	91,050	-	-
Insurance contract liabilities	26	10,969,033	6,110,850	-	402,879	513,088	1,055,803	4,139,080
Investment contract liabilities	27	265,521	265,521	-	20,411	133,660	-	111,450
		22,808,283	18,237,903	7,500,056	1,743,539	3,132,692	1,389,288	4,472,327
Gap (asset - liabilities)		(1,621,081)	1,901,996	484,325	1,979,285	2,571,033	1,125,428	(4,258,076)
Cumulative liquidity gap						4,550,318	5,675,746	1,417,670

Notes to the Financial Statements

Company
31-Dec-20

In thousands of Naira	Carrying amount	Contractual cashflow	<1 Month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets/ insurance assets							
Cash and cash equivalents	156,823	156,823	50,070	-	106,753	-	-
Amortized cost	1,096	1,096	-	-	1,096	-	-
	157,919	157,919	50,070	-	107,848	-	-
Non-derivative financial liabilities/ insurance liability							
Borrowing	2,313,544	2,313,544	-	1,999,308	-	274,875	39,362
Other liabilities	2,073,330	2,073,330	-	1,211	639,207	1,179,576	253,335
	4,386,874	4,386,874	-	2,000,519	639,207	1,454,451	292,697
Gap (asset - liabilities)	(4,228,955)	(4,228,955)	50,070	(2,000,519)	(531,359)	(1,454,451)	(292,697)
Cumulative liquidity gap				(2,000,519)	(2,531,878)	(3,986,328)	(4,279,025)

Notes to the Financial Statements

31-Dec-19

In thousands of Naira		Carrying amount	Contractual cashflow	<1 Month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets/ insurance assets								
Cash and cash equivalents	5	191,331	191,331	37,417	-	153,914	-	-
Amortized cost	8(c)	4,946	4,946	-	-	4,946	-	-
		196,277	196,277	37,417	-	158,860	-	-
Non-derivative financial liabilities/ insurance liability								
Borrowing	29	2,383,607	2,383,607	1,122		2,382,485	-	-
Other liabilities	24	91,255	91,255	-	-	-	91,255	-
		2,474,862	2,474,862	1,122	-	2,382,485	91,255	-
Gap (asset - liabilities)		(2,278,586)	(2,278,586)	36,295	-	(2,223,626)	(91,255)	-
Cumulative liquidity gap					-	(2,223,626)	(2,314,881)	(2,314,881)

Notes to the Financial Statements

Financial assets and liabilities

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

Group
31-Dec-20

In thousands of Naira	Amortized Cost	Designated at fair value P or L	Designated at fair value through OCI	Other Financial liabilities	Total Carrying amount	fair value
Cash and cash equivalents	12,807,056	-	-	-	12,807,056	12,807,056
Financial assets	210,738	1,162,188	4,738,350	-	6,111,276	6,111,276
Loans and advances to customers	1,044,098	-	-	-	1,044,098	1,044,098
Advances under finance lease	88,201	-	-	-	88,201	88,201
Trade receivables	136,091	-	-	-	136,091	136,091
Other receivables less prepayment	257,183	-	-	-	257,183	257,183
Statutory deposits	555,000	-	-	-	555,000	555,000
	15,098,367	**1,162,188**	**4,738,350**	**-**	**20,998,905**	**20,998,905**
Borrowing	-	-	-	2,184,877	2,184,877	2,184,877
Trade payables	-	-	-	7,909,847	7,909,847	7,909,847
Depositors funds	-	-	-	1,364,220	1,364,220	1,364,220
Other liabilities	-	-	-	1,864,278	1,864,278	1,864,278
	-	**-**	**-**	**13,323,222**	**13,323,222**	**13,323,222**

31-Dec-19

In thousands of Naira	Amortized Cost	Designated at fair value P or L	Designated at fair value through OCI	Other Financial liabilities	Total Carrying amount	fair value
Cash and cash equivalents	13,834,940	-	-	-	13,834,940	13,834,940
Financial assets	174,684	977,317	2,492,584	-	3,644,585	3,644,585
Loans and advances to customers	906,558	-	-	-	906,558	906,558
Advances under finance lease	217,571	-	-	-	217,571	217,571
Trade receivables	118,393	-	-	-	118,393	118,393
Other receivables less prepayment	356,456	-	-	-	356,456	356,456
Statutory deposits	555,000	-	-	-	555,000	555,000
	16,163,602	**977,317**	**2,492,584**	**-**	**19,633,503**	**19,633,503**
Borrowing	-	-	-	2,276,717	2,276,717	2,276,717
Trade payables	-	-	-	6,157,185	6,157,185	6,157,185
Depositors funds	-	-	-	1,784,150	1,784,150	1,784,150
Other liabilities	-	-	-	1,735,444	1,735,444	1,735,444
	-	**-**	**-**	**11,953,496**	**11,953,496**	**11,953,496**

Company

31-Dec-20

In thousands of Naira	Amortized Cost	Designated at fair value P or L	Designated at fair value through OCI	Other Financial liabilities	Total Carrying amount	fair value
Cash and cash equivalents	156,823				156,823	156,823
Financial assets	1,096	21,508			22,604	22,604
Other receivables less prepayment	348,101				348,101	348,101
	506,020	**21,508**	**-**	**-**	**527,528**	**527,528**
Borrowing				2,313,544	2,313,544	2,313,544
Other liabilities				2,073,330	2,073,330	2,073,330
	-	**-**	**-**	**4,386,874**	**4,386,874**	**4,386,874**

Notes to the Financial Statements

31-Dec-19

In thousands of Naira	Amortized Cost	Designated at fair value P or L	Designated at fair value through OCI	Other Financial liabilities	Total Carrying amount	fair value
Cash and cash equivalents	191,331				191,331	191,331
Financial assets	4,946	18,508			23,454	23,454
Other receivables less prepayment	432,072				432,072	432,072
	628,350	**18,508**	**-**	**-**	**646,858**	**646,858**
Borrowing				2,383,607	2,383,607	2,383,607
Other liabilities				2,028,316	2,028,316	2,028,316
	-	**-**	**-**	**4,411,923**	**4,411,923**	**4,411,923**

Management has assessed that the fair value of financial assets, loans and advances and borrowings approximates the carrying value of these instruments following the relatively short tenor of the instruments and that interest approximates market interest rate as at year end.

For other receivables and payables, management has assessed that given the nature of the instruments, carrying value approximates fair value.

54 Insurance risk management

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

The Group 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 Group 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 Group is exposed.

(a) Non-life insurance

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

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

In Thousands of Naira	**Gross**		**Reinsurance**		**Net**	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Within Nigeria	4,042,104	4,591,292	1,744,049	2,235,297	2,298,055	2,355,995
Outside Nigeria		-		-		-
	4,042,104	4,591,292	1,744,049	2,235,297	2,298,055	2,355,995

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

In Thousands of Naira	**Gross**		**Reinsurance**		**Net**	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Fire	882,033	1,512,891	544,473	1,007,057	337,560	505,834
Accident	487,251	549,133	82,691	92,812	404,560	456,321
Motor	742,766	786,598	70,066	66,391	672,700	720,207
Marine	409,842	305,048	122,263	97,420	287,579	207,628
Oil and gas	1,225,670	1,279,499	720,266	827,947	505,404	451,552
Engineering	194,860	119,811	146,936	133,217	47,924	(13,406)
Bond	11,884	13,386	5,942	6,706	5,942	6,680
Agric	87,798	24,925	51,412	3,747	36,386	21,178
	4,042,104	4,591,291	1,744,049	2,235,297	2,298,055	2,355,994
Outstanding claims:						
Fire	628,244	1,250,012	461,615	919,560	166,629	330,452
Accident	327,144	465,922	51,016	68,719	276,128	397,203
Motor	334,395	361,054	50,743	50,920	283,652	310,134
Marine	146,526	148,683	44,360	58,589	102,166	90,094
Oil and gas	815,399	948,879	547,793	621,890	267,606	326,989
Engineering	114,181	90,916	81,155	64,244	33,026	26,672
Bond	11,779	12,124	5,889	5,996	5,890	6,128
Agric	79,490	-	49,573	-	29,917	-
	2,457,158	3,277,591	1,292,144	1,789,918	1,165,014	1,487,673
Unexpired risk:						
Fire	253,789	262,880	82,858	107,119	170,931	155,760
Accident	160,107	83,210	31,675	55,338	128,432	27,872
Motor	408,371	425,544	19,324	18,830	389,047	406,714
Marine	263,316	156,365	77,903	23,994	185,413	132,370
Oil and gas	410,271	330,620	172,473	252,657	237,798	77,963
Engineering	80,679	28,895	65,781	81,717	14,898	(52,821)
Bond	105	1,262	53	1,748	52	(486)
Agric	8,308				8,308	-
Total	1,584,946	1,288,775	450,067	541,403	1,134,879	747,372

Reserving Methods and Assumptions

To ensure the estimates calculated are not biased by the underlying assumptions of the model chosen, four different deterministic methods were considered:

a Chain ladder Method

i *The Basic Chain Ladder Method (BCL):*
The Basic Chain Ladder method forms the basis to the deterministic reserving methods explained below. For each class of business, historical paid claims were grouped into accident year cohorts–representing when they were paid after their accident year. These cohorts form the development triangles. Each accident years, paid claims were accumulated to the valuation date and projected into the future to attain the expected ultimate claim arising in the year. This assumes the trends observed in the historical data will continue. The gross claim reserve is calculated as the difference between the cumulated paid claims and the estimated ultimate claims.

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 the corresponding inflation index in each of the accident years. The inflation adjusted claims were then treated similarly to the Basic Chain Ladder described above. The projected incremental paid claims are then inflated based on our future inflation assumption to the expected future payment date.

iii *Discounted Basic Chain Ladder (BCL) and Inflation Adjusted Basic Chain Ladder (IABCL)*
Historical claims paid were grouped into 10 years cohorts- representing when they were paid after the underwriting year. This is the discounted form of the BCL and IABCL. In determining the value, the future expected cash flow for claim payments is discounted to present day terms using our assumed discount rate.

b Loss Ratio Method

Under this method the Ultimate claims is obtained by studying the historical loss ratios, investigating any differences and using judgments to derive a loss ratio. Paid claims already emerged were deducted from the estimated Ultimate claims to obtain the reserves.

c Bornhuetter-Ferguson Method

This method combines the estimates attained from the Chain Ladder and Loss Ratio methods. The BF method takes a weighted average of the two estimates, where the weights are related to the number of claims already reported. Therefore, the more past information there is available, the higher the weighting given to the chain ladder estimate.

d Frequency and Severity Method

This method investigates the trend of the claim frequency and average cost per claim for each accident year. An average of the fully run off accident years was used as a guide on the ultimate claim frequency and ultimate average cost which was then adopted for the accident years that are not fully run off.

Method selected- Discounted IABCL

The IBNR reserves are determined using deterministic calculations which provide a "best estimate" of the reserve. The "best-estimate" is determined by applying a combination of the Chain Ladder ("CL") and the Bornhuetter-Ferguson ("BF") methods to attritional paid claims triangles. The combination between a CL and BF methods aims to reflect the reliability of information when estimating the IBNR. For earlier accident years, where the development is reasonably mature, a CL approach was used which relied more heavily on the data to set the ultimate level of claims. For later accident periods where there still exists a large degree of uncertainty about the ultimate level of claims and the reported to date is a less reliable estimate of the ultimate loss, a BF method is used which makes use of an estimate of the ultimate loss ratio.

Assumptions underlying the Valuation Methods

i Policies are written uniformly throughout the year for each class of business.
ii Claims occur uniformly throughout the year for each class of business. This implies that claims occur on average halfway through year
iii Future claims follow a regression pattern from the historical data. Hence payment patterns will be broadly similar 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
iv An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future
v We assume gross claim amount includes all related claim expenses. If this is not the case, the Group will hold a separate reserve to cover claim expenses
vi The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy
vii Under the Average Cost per claim method used in estimating large losses, the Group assumed the early years (e.g. accident years 2007, 2008) are fully developed
viii The run off period is ten (10) years and hence the method assumes no more claims will be paid subsequently.

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

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

Notes to the Financial Statements

Concentration of insurance risk

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

In Thousands of Naira	Gross		Reinsurance		Net	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Life Insurance:						
Within Nigeria	5,576,845	6,180,545	451,107	652,175	5,125,738	5,528,370
Outside Nigeria		-		-		
	5,576,845	6,180,545	451,107	652,175	5,125,738	5,528,370
Investment contracts with DPF:						
Within Nigeria	276,980	265,521		-	276,980	265,521
Outside Nigeria		-		-		-
	276,980	265,521	-	-	276,980	265,521

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

In Thousands of Naira	Gross		Reinsurance		Net	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Life Insurance:						
Protection	5,576,845	4,985,451	167,489	174,748	5,409,356	4,810,703
Pensions	-	-	-	-		-
Annuities	-	1,195,094	-	-	-	1,195,094
Others	-		-	-		-
Total Life insurance	5,576,845	6,180,545	167,489	174,748	5,409,356	6,005,797
Investment contracts with DPF	276,980	265,521			276,980	265,521

Assumptions and sensitivities

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

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

In Thousands of Naira	Pre-tax profit		Shareholders' equity	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Life insurance:				
5% increase in mortality/morbidity				
Gross (2020: Nil; 2019: Nil)				
Net (2020: N3,726; 2019:N3,726)	(480,080)	(376,574)	1,462,847	1,865,113
5% increase in longevity				
Gross				
Net				
10% increase in expenses				
Gross (2020: Nil; 2019: Nil)				
Net (2020:N3,754; 2019: N3,754)	(480,108)	(376,602)	1,462,819	1,865,085
1% increase in interest rates				
Gross (2020: Nil; 2019: Nil)				
Net (2020: N3,622; 2019:N3,622)	(479,976)	(376,470)	1,462,951	1,865,217

Claims development table for group life scheme

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

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

Notes to the Financial Statements

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

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

	Incremental Chain ladder-Yearly Projections (N)				
Accident Year	**0**	**1**	**2**	**3**	**4**
2007	122,700	34,905	577	3,634	1,262
2008	45,486	45,342	29,838	1,256	2,379
2009	25,378	54,498	31,968	18,099	2,679
2010	51,891	93,022	27,854	11,738	15,333
2011	76,113	70,612	52,699	43,993	10,754
2012	84,733	171,188	47,664	46,107	47,213
2013	228,475	243,203	52,792	26,114	26,714
2014	313,679	431,806	176,710	119,421	53,106
2015	625,063	334,756	246,958	104,672	251,793
2016	481,742	319,491	256,006	147,873	120,627
2017	388,002	492,764	282,850	140,900	
2018	541,902	374,113	217,585		
2019	301,663	323,876			
2020	135,740				

The company is not exposed to any insurance risk.

55 Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach. The Group has adopted IFRS 8 Operating Segments reporting.

Following adoption of IFRS 8, the Group's reportable segments have not changed as the business segments reported to the monthly executive committee follow clear business lines with distinct risk and rewards which formed the basis under IAS 14.

The Group's reportable segments under IFRS 8 are therefore identified as follows:

- Non-life insurance;
- Life insurance;
- Financial services;
- Healthcare; and
- Asset management;

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central corporate expenses, certain finance costs and tax expense. This is the measure reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

(a) Operating segment

The group has the following five operating segments; all corresponding with the activities of one or two subsidiaries:

i Non-life insurance - consists of Royal Exchange General Insurance Company Limited
ii Life insurance - consists of Royal Exchange Prudential Life Plc
iii Financial services - consists of Royal Exchange Plc and Royal Exchange Microfinance Bank Limited
iv Health insurance - consists of Royal Exchange Healthcare Limited
v Asset management- consists Royal Exchange Finance Company Ltd. is the only subsidiary in the asset management segment

Reference is made to note 9 for the required quantitative disclosures under IFRS 8

Notes to the Financial Statements

(b) Geographical information

The Group's revenue and information about its segment net assets by geographical location are as follows:

In thousands of Naira	Revenue		Net assets	
	31-Dec-19	**31-Dec-18**	**31-Dec-19**	**31-Dec-18**
Within Nigeria	2,400,452	1,342,287	3,662,432	3,983,416
Outside Nigeria	-	-	-	-
	2,400,452	1,342,287	3,662,432	3,983,416

56 Related Parties

The Group's related parties have been considered to be entities that the Group has control or influence over, key management personnel and persons connected with them. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Group. Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

(a) Transactions with related parties

The Group enters into transactions with its subsidiaries, associates, joint ventures and its key management personnel in the normal course of business. The transactions and balances below concern mainly banking, insurance and administrative transactions. The banking and insurance transactions are done in the ordinary course of business against a pricing that considers related party relationship. For transactions with key management personnel, see note 61.

In Thousands of Naira	Relationship	2020	2019
Royal Exchange PLC			
Bank balances			
Royal Exchange Microfinance Bank Ltd	Subsidiary	9,710	8,009
Overdraft facility with Royal Exchange Microfinance Bank Ltd	Subsidiary	-	1,122
Payables			
Royal Exchange Prudential Plc	Subsidiary	56,468	56,468
Royal Exchange Finance Company Ltd.	Subsidiary	10,399	10,399
Royal Exchange General Insurance Company Limited	Subsidiary	571,811	-
Receivables			
Royal Exchange Healthcare Ltd	Subsidiary	66,746	66,646
Royal Exchange General Insurance Company Limited	Subsidiary	-	29,470
Premium paid			
Royal Exchange Prudential Plc	Subsidiary	1,575	980
Royal Exchange Healthcare Ltd	Subsidiary	2,478	2,250
Loans			
Royal Exchange Finance Company Limited	Subsidiary	156,348	132,821
Finance Lease			
Royal Exchange Finance Company Limited	Subsidiary	16,833	31,467
Management fees received			
Royal Exchange General Insurance Company Limited	Subsidiary	23,925	33,550
Royal Exchange Prudential Plc	Subsidiary	12,788	13,251
Solicitor's fee paid			
Punuka Attorneys and solicitors	Director	-	3,721
Royal Exchange General Insurance Company Limited			
Bank Balance with Royal Exchange Microfinance Bank		-	9,431
Deposit fund with Royal Exchange Finance Company Ltd		-	38,461
Finance lease obligation to Royal Exchange Finance Company Limited		55,703	61,688
Overdraft facility with Royal Exchange Microfinance Bank Ltd		(32,699)	(38,461)
Royal Exchange Prudential Life Plc			
Bank Balance with Royal Exchange Microfinance Bank		5,681	6,662
Finance lease obligation to Royal Exchange Finance Company Limited		24,068	65,554
Royal Exchange Finance Company Ltd.			
Bank Balance with Royal Exchange Microfinance Bank		1,434	4,305
Royal Exchange Healthcare Limited			
Bank overdraft balance with Royal Exchange Microfinance Bank		(5,489)	(10,128)
Deposit fund with Royal Exchange Finance Company Ltd			

The Group considered the outstanding balances at the reporting date are unsecured and non-interest bearing. The settlements will involve physical delivery of cash.

Notes to the Financial Statements

57 Statement of Prudential Adjustments

In accordance with the Regulatory guidelines released by both CBN/NDIC, provisions for loan losses recognized in the income statement shall be determined based on the requirements of IFRS. The IFRS impairment should be compared with provisions determined under the CBN Prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

(a) If prudential provision is higher than IFRS impairment; Transfer the difference from general reserve to a non-distributable regulatory reserve.

(b) If prudential provision is less than IFRS impairment; Transfer the excess from the non-distributable regulatory reserve to the general reserve to the extent of the non-distributable reserve previously recognized.

In Thousands of Naira	Group 31-Dec-20	Group 31-Dec-19
Loans and advances to customers		
Specific impairment (see note 6)	281,243	269,963
Collective impairment (see note 6)	-	-
Advances under finance lease		
Impairment allowance (see note 7)	20,000	23,000
Total impairment allowance (a)	301,243	292,963
Total impairment based on prudential guidelines (b)	-	-
Regulatory risk reserve (c = b - a)	(301,243)	(292,963)

58 Contingencies and Commitments

(a) Commitments for expenditure
The Group has no commitment for capital expenditure at the reporting date.

(b) Contingencies and commitments
Contingent liabilities

In Thousands of Naira	**31-Dec-20**	**31-Dec-19**
	₦'000	**₦'000**
Legal proceedings and litigations	3,020,168	3,499,675
Tax PAYE for 2014 tax audit	25,200	25,200
	3,045,368	3,524,875

There are certain pending litigations in some courts of law in Nigeria involving the Group and the Group either as plaintiff or defendant. However, nine cases have been decided against the Group and necessary accruals have been made in the financial statements. The actions are being vigorously contested and the Directors are of the opinion that no significant liability will arise therefrom in excess of the provision made in the financial statements.

Contingent assets

In Thousands of Naira	**31-Dec-20**	**31-Dec-19**
	₦'000	**₦'000**
Legal proceedings	11,672	11,672

59 Events after the reporting period

• **Royal Exchange HealthCare Ltd** – The Directors of the company are proposing to dilute their shareholding interest. A prospective investor has been engaged.

• **Royal Exchange Microfinance Bank Limited –** Capital injection by owners of the company and a possible injection with a proposed investor. The Directors of the company are engaging equity investors for capital injection to enable the bank to surpass the minimum regulatory capital required by the Central Bank of Nigeria. The bank is currently undergoing a digitization exercise to properly position it in the digital economic space; taking advantage of varying opportunities in the online world.

The major event during and after the reporting date is the re-emergence of COVID - 19 pandemic. In response to the need to mitigate the adverse effects of the pandemic, the Group and its subsidiaries introduced a wide range of measures to ensure stability of its operations and support for customers.

A COVID response committee was set up, the membership ranging from executive management to middle managers. COVID 19 champions were also appointed amongst staff for adequate monitoring of the implementation of the management actions in place. All stakeholders were taken into consideration and partnering was ensued with all stakeholders in critical functions to facilitate seamless delivery of services and operations.

The Group has also put in place adequate reinsurance on all the insurance products underwrote by the Life & Non-life insurance businesses to cushion the effect of future claims liabilities. A reporting structure was put in place, for daily updates to top Management for effective decision making. Internal and external communication was handled by the Human Resource (HR) and corporate communications. The Group also instituted safety measures across all business locations and these included temperature checks, fumigation of office locations, enforcement of the use of face masks, social distancing and installation of hand sanitizing machines in all company locations. Remote Working was also facilitated via the installation of secure VPN by the IT Unit, and resources were also on hand to tackle all IT related issues.

As a result of the actions taken to mitigate the impact of Covid-19 Pandemic, the pandemic had no significant effects on the going concern operations of the Group during the Financial year. However, the Group will continue to monitor the events carefully throughout the year 2021 especially with the emergence of the different COVID variants.

- **Potential failure to renew operational License (Royal Exchange Healthcare Limited)** -The National Health Insurance Scheme (NHIS) withdrew the accreditation certificate of the company on 2 February 2021. The decision was communicated to the Managing Director via a letter with Reference No NHIS/AIN / 69/V/8. This decision is in line with the provision of Section 2.14.5 (f) of NHIS Operational Guidelines (2012). However, the company had re-applied to NHIS for fresh accreditation thereby necessitating the visitation of the team from 24 May 2021 to 28 May 2021. This was eventually approved after year end as at 27 August 2021. This was disclosed as emphasis of matter in the subsidiary's financial statement; hence we have removed it from the auditor's opinion and disclosed under the subsequent events after reporting date.

60 Fiduciary Activities

The Company acts as a custodian, trustee or in other fiduciary capacity, that results in its holding, placing or performing oversight functions over assets on behalf of its clients.

The Company performs oversight and monitoring functions over two mutual funds. Its responsibilities have been defined in the Directors' report.

Other assets held on behalf of clients represents unclaimed debentures which have matured and are yet to be claimed by the debenture holders as at reporting date. These assets are excluded from these financial statements, as they are not assets of the Company. The analysis of these assets are as shown below:

In Thousands of Naira	**Company** 31-Dec-20	**Company** 31-Dec-19
Funds Under Management		
Clients' Federal Government Bonds	33,102	33,108
Clients' Commercial Papers	164,277	267,700
Clients' Treasury Bills	10,432	34,195
Clients' Fixed Deposit	121,688	72,195
Clients' Bank balances	108,316	1,445
	437,815	**408,644**
Clients' Payables	-	-
Management Fees Payable	-	-
	437,815	**408,644**

61 Compensation of key management personnel

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

(a) Chairman and directors' emoluments:

(i) Emoluments

In thousands of Naira	**Group** 31-Dec-20	**Group** 31-Dec-19	**Company** 31-Dec-20	**Company** 31-Dec-19
Non-executive directors:				
Directors' fees	3,673	14,563	-	356
Sitting allowance	889	6,778	889	6,778
Other allowances	17,230	74,704	11,553	74,704
	21,792	**96,045**	**12,442**	**81,838**

Executive Directors:

Notes to the Financial Statements

Executive Compensation	18,432	2,048	18,432	2,048
Post-employment benefits	1,646	87	1,646	87
	20,077	**2,135**	**20,077**	**2,135**
Chairman	1,868	11,535	1,868	11,535
Other directors	40,001	86,645	30,651	72,437
	41,869	**98,180**	**32,519**	**83,972**
The highest paid director	**20,077**	**16,728**	**20,077**	**16,728**

(ii) Number of directors (excluding the chairman) within the following emolument range

N	Group 31-Dec-20	Group 31-Dec-19	Company 31-Dec-20	Company 31-Dec-19
400,000 - 500,000	-	-	-	-
500,000 - 600,000	-	-	-	-
2,000,001 - 5,000,000	-	-	-	-
Above 5,000,000	6	9	6	9

(b) Staff

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

	Group 31-Dec-20	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Managerial	26	24	2	5
Senior staff	243	235	14	5
Junior staff	55	29	-	-
	324	288	16	10

(i) Staff costs

Salaries , wages and allowances	557,413	737,132	110,106	84,251
Pension cost	76,379	70,196	5,700	-
	633,792	807,328	115,806	84,251

(ii) Pension scheme

At January	843	6,411	-	-
Provision in the year	76,379	70,196	5,700	5,901
Remittance to pension fund administrators	(77,222)	(75,764)	(5,700)	(5,901)
At December 31	-	843	-	-

(iii) Employees remunerated at higher rates

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

N	**Group 31-Dec-20**	**Group 31-Dec-19**	**Company 31-Dec-20**	**Company 31-Dec-19**
Below 400,000	-	-	-	-
400,001 - 500,000	16	-	-	-
500,001 - 600,000	1	-	-	-
600,001 - 700,000	-	6	-	-
700,001 - 800,000	-	-	-	-
800,001 - 900,000	3	5	-	-
900,001 - 1,000,000	36	-	-	-
1,000,001 - 2,000,000	38	62	1	-
2,000,001 - 3,000,000	65	77	5	4
3,000,001 - 4,000,000	70	55	5	-
4,000,001 - 5,000,000	2	37	-	-
5,000,001 - 6,000,000	35	12	2	-
6,000,001 - 7,000,000	18	8	1	-
7,000,001 - 8,000,000	8	12	-	1
8,000,001 - 9,000,000	2	3	-	-

Notes to the Financial Statements

9,000,001 - 10,000,000	2	2	-	1
10,000,001 - 12,000,000	11	4	1	2
12,000,001 - 20,000,000	12	4	-	1
20,000,001 - 30,000,000	5	1	1	1
	324	288	16	10

Notes to the Financial Statements

62 Contraventions

During the year, the Group contravened certain sections of Securities & Exchange Commission Rules & Regulations (2013). Also, the Life & Non-life Insurance Subsidiaries contravened NAICOM Insurance Guideline 2015. Details of contraventions are detailed below:

In thousands of Naira

Company	Regulatory Authority	Description	Penalty paid	
			31-Dec-20	31-Dec-19
			₦'000	**₦'000**
Royal Exchange Plc	SEC	Penalty for late rendition and disclosures of Trustee returns from 2016 to 2019	5,090	-
	SEC	Penalty for late filing of Quarter 1 2018 Trustee Return	100	-
	SEC	Penalty for late rendition of Q1 & Q2 2019 returns	-	940
	SEC	Penalty for late filing of Quarter 1 2019 Trustee Return	-	420
Other Component of the Group				
Royal Exchange Prudential Life Plc.		Late rendition of AML/CFT training plan for year 2020	1,000	-
		Appointment of Executive Director - Technical without NAICOM's approval	500	-
Royal Exchange General Insurance Company Ltd.		Late rendition of AML/CFT training plan for year 2020	1,000	-
			7,690	**1,360**

OTHER NATIONAL DISCLOSURES

Statement of Value Added
At 31 December 2020

In thousands of Naira	Group 2020	%	Group 2019	%	Company 2020	%	Company 2019	%
	₦'000		**₦'000**		**₦'000**		**₦'000**	
Net premium income	8,191,513		8,716,927		-		-	
Investment and other income	404,744		596,068		185,986		1,106,281	
Interest income	159,643		(653,885)		(220,097)		(1,352,098)	
Net fair value gain or loss on financial assets	35,307		(92,090)		3,000		(6,264)	
Other operating income	612,480		500,720		118,513		169,451	
Bought in goods and services	(8,111,749)		(8,863,554)		(56,700)		404,772	
Value Added	**1,291,938**	**100**	**204,186**	**100**	**30,702**	**100**	**322,142**	100
Applied as follows:								
In payment of employees:								
-Salaries, wages and other benefits	636,817	49	695,927	341	115,806	377	84,251	27
In payment to government:								
-Taxation	187,306	14	106,967	52	419	1	7,137	1
For future replacement of assets and expansion of business:								
Deferred Tax	19,850	2	192,838	94				
Depreciation	133,707	10	166,875	82	3,016	10	9,262	6
Contingency reserve	391,374	30	354,395	174	-	-	-	-
General reserve	(77,116)	(6)	(1,312,816)	(643)	(149,943)	(488)	(422,791)	(134)
	1,291,938	**100**	**204,186**	**100**	**30,702**	**100**	**322,142**	**100**

Financial Summary
For the Year Ended 31 December 2020

GROUP

In thousands of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Assets					
Cash and cash equivalents	12,807,05	13,834,940	15,896,872	12,505,923	11,105,440
Loans and advances to customers	1,044,098	906,558	900,852	1,173,6121	992,011
Advances under finance lease	88,201	217,571	166,608	203,410	206,890
Financial assets	6,111,276	3,644,585	4,237,952	5,642,806	5,632,949
Trade receivables	136,091	118,393	499,382	92,424	247,851
Reinsurance assets	2,195,156	2,887,473	3,174,674	2,794,485	2,660,526
Deferred acquisition cost	281,416	209,395	261,631	295,829	351,076
Other receivables and prepayments	471,550	564,586	815,179	8,004,30	436,881
Investment in associates	226,343	227,220	213,295	193,617	179,146
Investment properties	5,635,991	6,040,461	5,998,300	5,431,181	5,419,858
Property and equipment	1,381,745	1,437,132	1,468,405	2,136,567	2,283,270
Right of use	10,089	15,764	-	-	-
Intangible assets	5,133	9,830	15,020	29,435	33,116
Employees retirement benefit asset (Net)	257,168	295,649	283,850	258,135	234,011
Statutory deposits	555,000	555,000	555,000	555,000	555,000
Deferred tax assets	193,968	168,810	133,275	267,386	365,065
Assets classified as held for sale	973,639	973,639	973,639	973,639	973,639
Total assets	**32,373,91**	**32,107,006**	**35,593,934**	**33,353,880**	**31,676,729**
Liabilities					
Bank borrowing	2,184,877	2,276,717	8,865,661	1,743,156	2,585,324
Deferred income	138,244	109,332	144,133	143,798	162,942
Trade payables	7,909,847	6,157,185	5,583,929	10,159,430	8,355,104
Other liabilities	1,864,278	1,735,444	1,870,375	1,608,666032	1,616,032
Depositors' funds	1,364,220	1,784,150	1,567,480	1,446,763	1,203,456
Insurance contract liabilities	9,798,691	10,969,033	11,018,012	11,337,881	10,158,280
Investment contract liabilities	276,980	265,521	302,424	293,555	339,456
Current income tax liabilities	650,203	588,690	726,574	636230	537,200
Employees retirement benefit liability	41,335	39,252	30,239	38,458	39,269
Deferred tax liabilities	610,101	565,092	336,184	314,267	299,530
Total liabilities	**24,838,77**	**24,490,416**	**30,445,011**	**27,722,204**	**25,296,593**
Equity					
Share capital	2,572,685	2,572,685	2,572,685	2,572,685	2,572,685
Share premium	2,690,936	2,690,936	2,690,936	2,690,936	2,690,936
Contingency reserve	2,291,372	1,899,998	2,409,567	2,046,612	1,728,852
Treasury shares	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Retained earnings	(4,051,382	(3,240,315)	(2,683,435)	(1,914,086)	(647,828)
Other component of equity	658,821	560,112	659,170	735,529	535,491
Capital and reserves attributable to owners	**3,662,432**	**3,983,416**	**5,148,923**	**5,631,676**	**6,380,136**
Non-controlling interests	**3,872,709**	**3,633,174**	-	-	-
Total Equity	**7,535,141**	**7,616,590**	**5,148,923**	**5,631,676**	**6,380,136**
Total equity and liabilities	**32,373,91**	**32,107,006**	**35,593,934**	**33,353,880**	**31,676,729**

Statement of Profit or Loss and Other Comprehensive Income

In thousands of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Gross premium	15,292,75	14,207,878	14,712,798	12,822,219	12,517,381
Net income	2,400,452	1,342,287	4,356,080	2,413,399	2,724,161
Profit/(Loss) before taxation	130,040	(1,013,011)	3,238,179	(682,127)	(743,838)
Income tax expense	(207,156)	(299,805)	(483,047)	(287,516)	(236,414)
Loss after taxation	(77,116)	(1,312,816)	(159,868)	(969,643)	(980,252)
Loss per share (kobo)	(8)	(26)	(3)	(19)	(19)

Financial Summary
For the Year Ended 31 December 2020

COMPANY

In thousands of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Assets					
Cash and cash equivalents	156,823	191,331	344,674	112,363	127,279
Financial assets	22,604	23,454	27,787	44,747	82,644
Investment in Subsidiaries	8,568,651	8,568,651	10,989,990	10,239,990	8,689,990
Deposit for Investment in Subsidiaries	-	-	3,000,000	750,000	-
Other receivables and prepayments	219,712	390,376	456,003	210,098	319,967
Property and equipment	773	3,390	28,770	91,736	90,195
Right of use	8,466	18,460	-	-	-
Intangible assets	-	-	-	5,513	-
Deposit for shares	-	-	-	-	500,000
Total assets	**8,977,030**	**9,195,662**	**14,847,224**	**11,454,447**	**9,810,075**
Liabilities					
Bank borrowing	2,313,544	2,383,607	8,907,750	1,613,723	2,482,327
Other liabilities	2,073,330	2,028,316	667,779	3,784,039	920,200
Finance Lease Obligation	16,833	31,467	77,050		
Current income tax liabilities	254,511	283,847	303,576	303,660	255,109
Employees retirement benefit liability	1,656	1,418	512	1,076	883
Total liabilities	4,659,874	4,728,655	9,956,668	5,702,498	3,658,519
Equity					
Share capital	2,572,685	2,572,685	2,572,685	2,572,685	2,572,685
Share premium account	2,690,936	2,690,936	2,690,936	2,690,936	2,690,936
Retained earnings	(948,352)	(798,409)	(375,618)	486,445	886,114
Other component of equity	1887	1,795	2,554	1,883	1,821
Shareholders' funds	4,317,156	4,467,007	4,890,557	5,751,949	6,151,556
Total equity and liabilities	**8,977,030**	**9,195,662**	**14,847,224**	**11,454,447**	**9,810,075**

Statement of Profit or Loss and Other Comprehensive Income

In thousands of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Net income	124,114	(35,830)	(271,341)	57,237	81,289
(Loss)/ Profit before taxation	(149,524)	(415,656)	(838,798)	(351,118)	(368,735)
Income tax expense	(419)	(7,137)	(6,686)	(48,551)	-
(Loss)/Profit after taxation	(149,943)	(422,793)	(845,484)	(399,669)	(368,735)