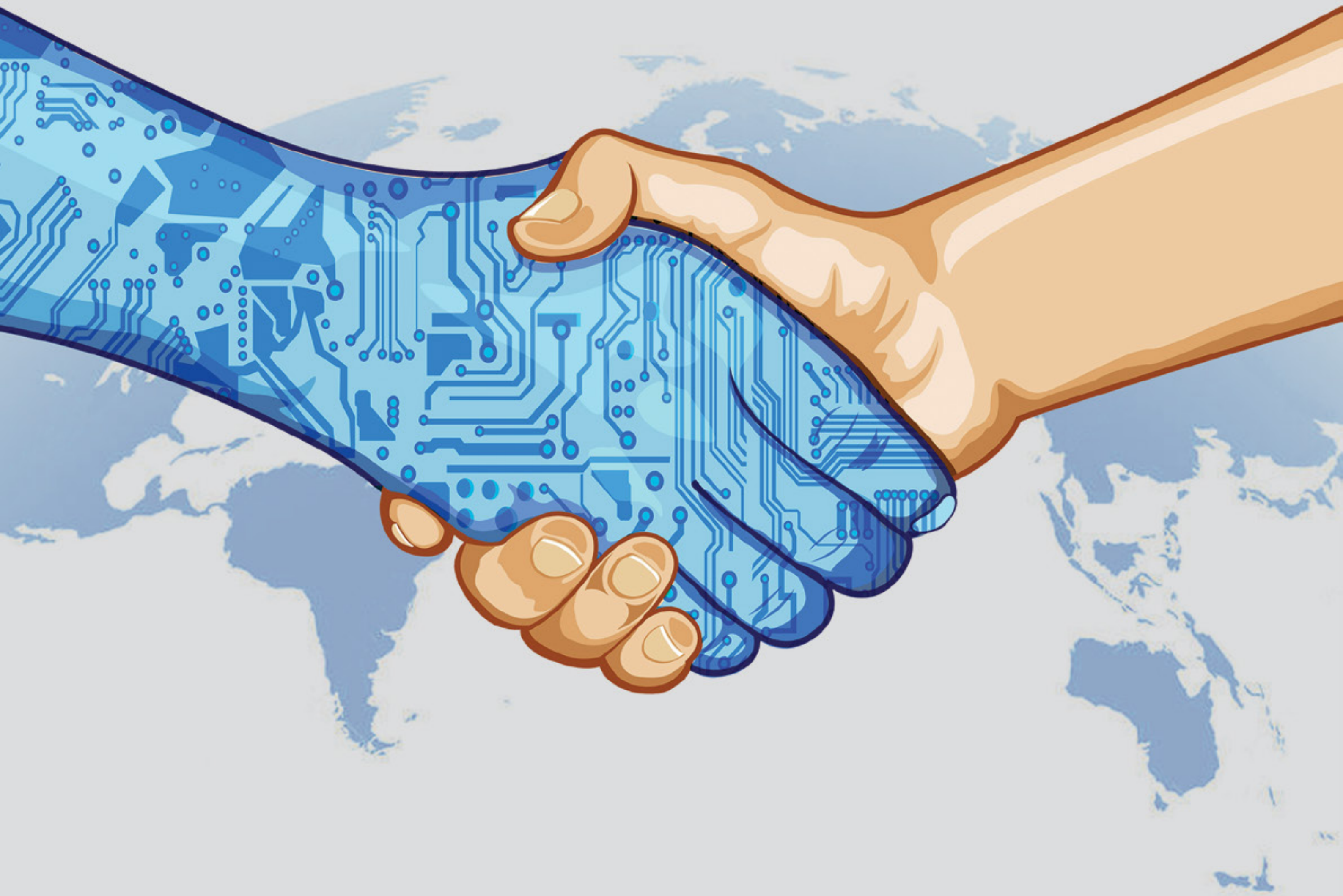
ROYAL EXCHANGE



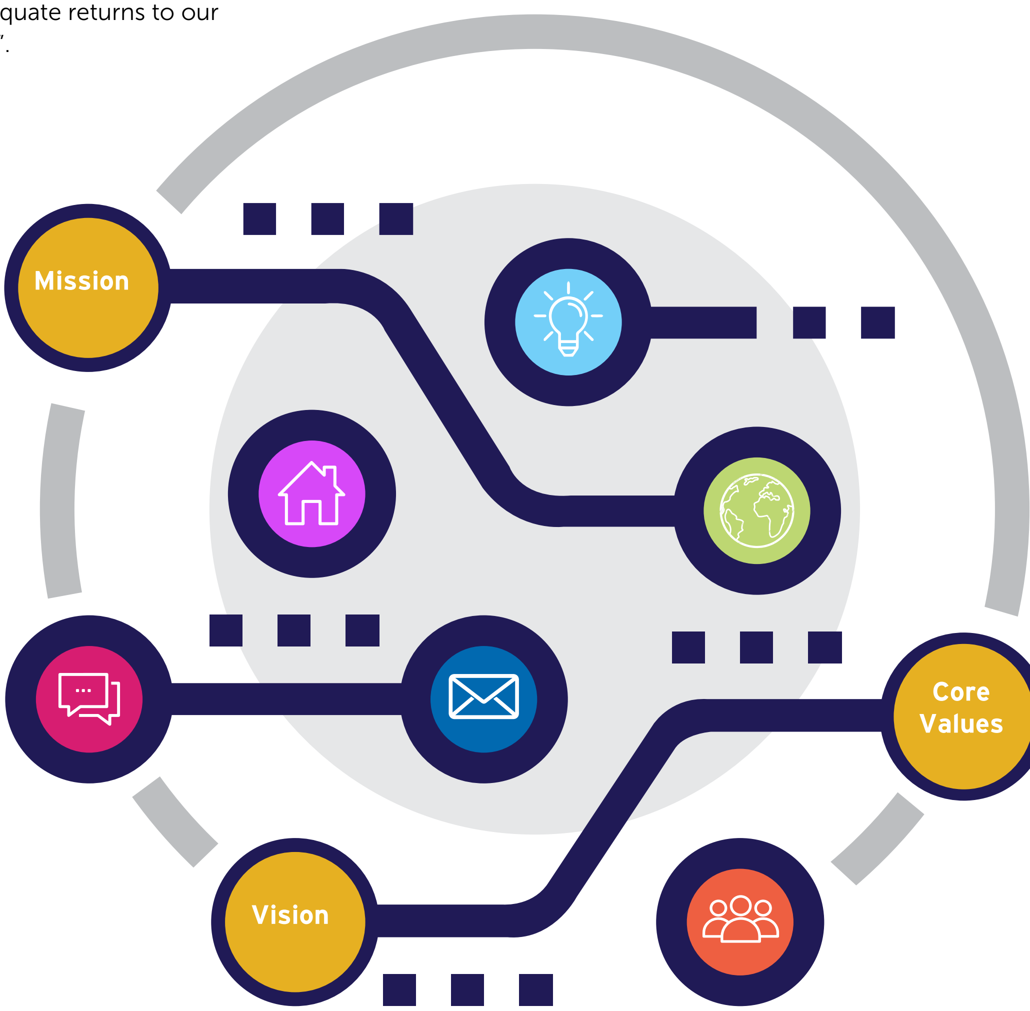
# MEETING THE CHALLENGE OF **THE FUTURE**

Annual Report & Accounts 2020

# Content

## Mission

"To attain leadership in the financial sector and provide the highest quality services in accordance with ethical practices and norms to our clients, while ensuring adequate returns to our stakeholders".




## Vision

"To responsibly and efficiently mobilize and utilize human, financial and technological capital to exceed stakeholders expectations".

## Core Values

C - Customer orientation
C - Creativity
I - Integrity
L - Learning organisation
P - Professionalism
T - Teamwork

# Corporate Information

### Registered office

New Africa House
31, Marina
Lagos
Nigeria

### Head office

31, Marina
Lagos
Nigeria

### Directors

- Mr. Kenneth Ezenwani Odogwu
  Chairman

### Non-Executive Directors

- Chief Anthony Ikemefuna Idigbe, SAN
- Alhaji Ahmed Rufa'i Mohammed
- Mr. Adeyinka Ojora
- Mr. Hewett Benson

### Company Secretary

Mazars, Ojike & Partners

### Company registration number

RC: 6752

### Reinsurers

- Nigerian Reinsurance Corporation
- Africa Reinsurance Corporation
- Continental Reinsurance Plc
- WAICA Reinsurance Corporation
- Swiss Reinsurance Corporation
- Zep Reinsurance
- Global Reinsurance
- NCAE Reinsurance
- Kenya Reinsurance
- Aveni Reinsurance
- Score Reinsurance
- Capsicum Reinsurance

### 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

### Auditors

Deloitte & Touche
Civic Towers,
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Nigeria

### Actuary

Ernst & Young
FRC/NAS/00000000738

# Corporate Profile

In 1918, our Company started operations in Nigeria represented by Barclays Bank DCO and on February 28, 1921 converted to a full branch of its then parent company, Royal Exchange Assurance, London.

Royal Exchange Assurance, London was originally founded in 1720 and was one of the first two insurance companies in Britain to receive legal status via Royal Charter. Originally established for marine business, it expanded within a year to include fire and life insurance as well, thereby becoming Britain's first composite insurer. The establishment of its branch in Nigeria was the result of an overseas expansion drive in the early 20th century.

Some notable figures in the local insurance industry have headed our Company, which was, for over 20 years, the only insurance company operating in Nigeria. Thus, our Company can be said to be the beginning of insurance in Nigeria and today, has one of the largest branch networks in its sector, with 15 (fifteen) branches, 2 (two) friendship centers and thirteen sales outlets.

Pursuant to Section 396(2) of then companies Act of 1968, our Company was on December 29, 1969, reconstituted and incorporated as a private limited liability company, Royal Exchange Assurance (Nigeria) Limited. The Company went public July 18, 1989 and was duly listed on the Nigerian Stock Exchange on December 3, 1990. In June 2007, our Company entered into a merger with African Prudential Insurance Company and Phoenix of Nigeria Assurance Company Plc. The merger brought about a significantly stronger company, better positioned to serve the needs of its clientele in the financial services sector.

In June 2008, our Company was reorganized into a Group structure, whereby it assumed the role of a group holding and asset management company to execute its strategic vision for financial services, namely insurance, funds management, finance and banking, through its five wholly-owned subsidiaries namely:

ROYAL EXCHANGE General Insurance

Royal Exchange General Insurance Company Limited established in January 2008, to carry on the non-life insurance business of the Group.

However, in October 2019, Royal Exchange General Insurance Company Limited (REGIC) was reorganized with the injection of fresh funds by its foreign partners, the Insu Resilience Fund (IIF) acquiring an equity share of 39.25% to recapitalize the Company in line with the Regulator, Naicom's requirements of 2019. REGIC came out stronger and bolder in the insurance space;

ROYAL EXCHANGE Prudential Life

Royal Exchange Prudential Life Plc, established in February 2007 to carry on life assurance business of the Group;

ROYAL EXCHANGE Finance

Royal Exchange Finance Company Limited (previously called Royal Exchange Finance & Investment Ltd) was incorporated as a whollyowned subsidiary of Royal Exchange Plc in October 2004 and licensed in April 2005 by Central Bank of Nigeria, to carry on the finance and assets management functions of the group. In March 12, 2018, the Company was further reorganised and positioned only for the Finance functions and became known as Royal Exchange Finance Company Ltd (REFCO);

ROYAL EXCHANGE Healthcare

Royal Exchange Healthcare Limited, established in May 2006 to provide health management services and healthcare insurance;

ROYAL EXCHANGE Microfinance Bank

Royal Exchange Microfinance Bank Limited, established in July 2009 and licensed to carry on the business of assisting all enterprises engaged in small scale industries, micro economic activities and co-operative related endeavors.

All subsidiaries are properly licensed by their respective regulators and are structured to fully exploit the significant opportunities available in the Nigerian economy.

The Royal Exchange brand is a strong brand in Nigeria especially in the field of insurance. The Company will ensure its continued relevance in the environment in which it operates by continuously re-inventing its products and services.

**ROYAL EXCHANGE PLC**

- Mr. Kenny Ezenwani Odogwu (Group Chairman)
- Chief Anthony Ikemefuna Idigbe (SAN) (Director)
- Alhaji Ahmed Rufa'i Mohammed (Director)
- Mr. Adeyinka Ojora (Director)
- Mr. Hewett Benson (Independent Director)

**ROYAL EXCHANGE GENERAL INSURANCE COMPANY LTD (REGIC)**

- Alhaji Rabi'u Muhammad Gwarzo, OON (Chairman)
- Mr. Benjamin Agili (Managing Director)
- Mr. Nnamdi Oragwu (Director)
- Mr. Ernesto Costa (Director)
- Mr. Adejumo Adeyemo (Director)
- Chief U. Okpa-Obaji (Director)
- Mrs. Jane Ekomwereren (Executive Director, Technical)

**ROYAL EXCHANGE PRUDENTIAL LIFE PLC (REPRU)**

- Mr. Hewett Benson (Chairman)
- Mr. Nelson Akerele (Acting Managing Director)
- Mr. Benjamin Agili (Director)
- Mr. Matthew Adefila (Director)
- Mr. Ben Azi (Independent Director)

**ROYAL EXCHANGE HEALTHCARE LIMITED (REHL)**

- Alhaji Rabi'u Muhammad Gwarzo, OON (Chairman)
- Dr. Emenike Onwutalu (Managing Director)
- Mr. Nnamdi Oragwu (Director)
- Chief U. Okpa-Obaji (Director)
- Mrs. Jane Ekomwereren (Director)

**ROYAL EXCHANGE FINANCE COMPANY LIMITED (REFCO)**

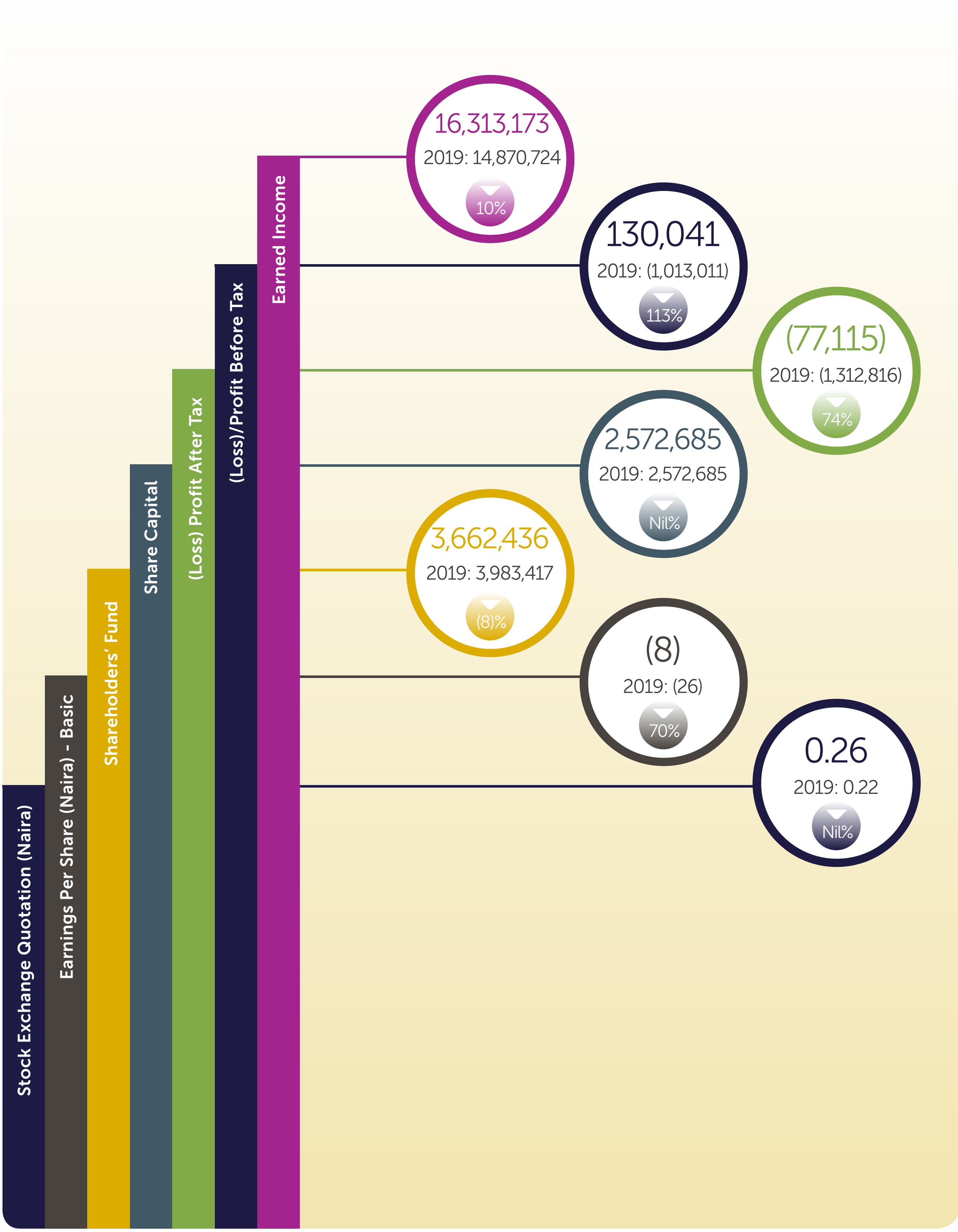
- Alhaji Ibrahim Turaki (Chairman)
- Mrs. Irene Opara (Managing Director)
- Mr. Benjamin Agili (Director)
- Nnamdi Oragwu (Director)
- Chief U. Okpa-Obaji (Director)

**ROYAL EXCHANGE MICROFINANCE BANK LIMITED (REMFB)**

- Mr. Sunday Adunola (Ag. Managing Director)
- Chief Uwadi Okpa-Obaji (Director)
- Mr. Nnamdi Oragwu (Director)
- Alhaji Rabi'u Muhammad Gwarzo, OON (Director)
- Mr. Nelson Akerele (Director)
- Mrs. Irene Opara (Director)

# Result at a Glance

For the year ended 31 December, 2020



# Notice of Annual General Meeting

NOTICE is hereby given that the 52nd Annual General Meeting of Royal Exchange Plc will be virtually held at the Operations Office, Royal Exchange Plc, 34/36, Oshodi Apapa Expressway, Charity Busstop, Oshodi, Lagos, on Thursday, October 28, 2021 at 10.00 o'clock in the forenoon to transact the following business:

**ORDINARY BUSINESS:**

1. To lay before the meeting, the Consolidated Financial Statements of the Group for the year ended December 31, 2020 together with the Reports of the Directors, the Audit Committee and the Auditors thereon.

2. To re-elect Directors.

3. To authorize the Directors to fix the remuneration of the Auditors.

4. To disclose remuneration of Managers.

5. To elect shareholders as members of the Statutory Audit Committee.

**BY ORDER OF THE BOARD**

**MAZARS OJIKE & PARTNERS**
COMPANY SECRETARY
FRC/2021/002/00000022920
New Africa House
31, Marina, Lagos.

October 1, 2021

**NOTES**

- **Proxy**
  A member of the Company entitled to attend and vote at the Annual General Meeting can appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. In view of the current Covid-19 pandemic, the directives to minimize social contacts by restricting the number of persons at public gatherings and in accordance with the Corporate Affairs Commission's Guidelines on Holding of Annual General Meetings (AGM) of Public Companies by taking advantage of Section 254 of the Companies and Allied Matters Act (CAMA) 2020 using Proxies, all members are hereby advised that attendance for the meeting shall be by PROXY. Shareholders are therefore advised to kindly appoint proxies to respresent them at the meeting, as the Company is bound by the directives on the maximum number of people permitted in a social/public gathering.

  A proxy form is enclosed in the Annual Report and Accounts. For the instrument of the proxy to be valid, it must be completed, duly stamped for the purposes of this meeting, the Company has made arrangements at its cost for the stamping of the duly completed proxy forms which must be deposited at the office of the Registrar, CardinalStone Registrars Limited, 358, Herbert Macauley Street, Yaba, Lagos, or by email to registrars@cardinalstone.com, not less than 48 hours before the time fixed for the meeting.

  Consequently, members are required to appoint a proxy of their choice from the list of the proposed proxies to represent them at the meeting:
  1) Mr. Kenny Ezenwani Odogwu - Board Chairman
  2) Mr. Hewett Benson - Independent Director
  3) Miss. Ngozika Onu - Representing Mazars Ojike & Partners
  4) Sir Sunday Nnamdi Nwosu, KSS - Shareholders Representatives
  5) Mr. Boniface Ekezie - Shareholders Representatives
  6) Mrs. Thorpe - Shareholders Representatives
  7) Ms. Adetutu Siyanbola - Shareholders Representatives

- **Dividend Warrants**
  The Directors did not recommend any dividend for the year ended 31 December, 2020.

- **Closure of Register of Members and Transfer Books**
  The Register of Members and the Transfer Books will be closed from 5th October, 2021 to 9th October, 2021, both dates inclusive.

- **Re-election of Directors**
  In accordance with the Articles of Association, Alhaji Ahmed Rufa'i Mohammed and Mr. Adeyinka Ojora are the directors retiring by rotation. Alhaji Ahmed Rufa'i Mohammed and Mr. Adeyinka Ojora being eligible offer themselves for re-election.

- **Nominations for the Audit Committee**
  In accordance with Section 404(6) of the Companies and Allied Matters Act, (Cap C20, Laws of the Federation of Nigeria, 2004), any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 (Twenty-One) days before the Annual General Meeting.

- **Unclaimed Share Certificates and Dividend Warrants**
  The Company notes that some share certificates have been returned, marked "unclaimed". The Company notes further that some dividend warrants sent to shareholders over the years are yet to be presented for payment. Therefore, all shareholders with unclaimed share certificates should write to The Registrars, CardinalStone (Registrars) Limited, the Company Secretary or call at the registered office of the Company during normal working hours.

  Furthermore, all shareholders with unclaimed dividend warrants Nos. 1 – 12 should address their claims to the Company Secretary or call at the registered office of the Company during normal working hours for processing of their claims or assistance. Shareholders, with unclaimed dividend warrants Nos. 13 – 17 should address their claims to The Registrars, CardinalStone (Registrars) Limited. Members are urged to advise the Registrars or the Company Secretary of any change of address or situation particularly as it relates to share certificates and dividend warrants.

- **Right to Ask Questions**
  It is the right of shareholders to ask questions not only at the Annual General Meeting but also in writing prior to the meeting. Such questions should be addressed to the Company Secretary and submitted at the registered office of the Company not later than one week before the Annual General Meeting.

- **Directors' Profiles**
  The profile of the Directors, including those for re-election, is enclosed in the Annual Report and can be assessed on the Company's website www.royalexchangeplc.com.

- **Electronic Annual Report**
  The electronic version of the Annual Report will be available online for viewing and download from the Company's website: www.royalexchangeplc.com. Shareholders who have provided their email addresses to the Registrar will receive the electronic version of the Annual Report via email.

  Furthermore, shareholders who are interested in receiving the electronic version of the Annual Report should request for it via email to registrars@cardinalstone.com.

- **Live Streaming of the AGM**
  The AGM will be streamed live. This will enable shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the AGM livestream would be made available on the Company's website at www.royalexchangeplc.com.

- **Business of the Meeting**
  In accordance with Section 238 of the Companies and Allied Matters Act, Ordinary business to be transacted at the AGM has been defined to include disclosure of the remuneration of managers. A "Manager" in relation to the disclosure of remuneration at AGM has been defined to include any person by whatever name called occupying a position in senior management and who is vested with significant autonomy, discretion, and authority in the administration and management of the affairs of a company (whether in whole or in part).

  Section 257 of the Companies and Allied Matters mandates that the compensation of managers of a Company shall be disclosed to the members of the Company at the Annual General Meeting. The renumeration of the managers in Royal Exchange Plc is contained herein Note 61 page 176 of the Annual Reports.

# Proxy Form

The 52nd Annual General Meeting of Royal Exchange Plc will be virtually held at the Operations Office, Royal Exchange Plc, 34/36, Oshodi Apapa Expressway, Charity Busstop, Oshodi, Lagos, on Thursday, October 28, 2021 at 10.00 o'clock in the forenoon.

I/We.................................... being a member/members of Royal Exchange Plc hereby appoint ................................................................ .................... or failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the 52nd Annual General Meeting of the Company to be held on Thursday, October 28, 2020 and at every adjournment thereof.

Dated this 1st day of October, 2021.

| Nos. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To re-elect Alhaji Ahmed Rufa'i Mohammed | | |
| 2. | To re-elect Mr. Adeyinka Ojora | | |
| 3. | To authorize the Directors to fix the remuneration of the Auditors | | |
| 4. | To dislcose remuneration of Managers. | | |
| 5. | To elect members of Statutory Audit Committee | | |

**NOTES:**

1. Please indicate with an 'X' in the appropriate squares how you wish your votes to be cast on the resolutions set out above.
2. A member (shareholder) who is unable to attend the Annual General Meeting is allowed to vote by proxy. The above proxy form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting. Members wishing to vote by proxy should please ensure that the appropriate stamp duties due on the proxy form are paid. The proxy must produce the "Authority to Admit", attached to this form to gain entrance to the Meeting.
3. Provision has been made on this form for the Chairman of the meeting to act as your proxy. However, if you so wish, you may insert in the space provided on the form, the name of any person whether a member of the Company or not who will attend the Meeting and vote on your behalf.
4. Please sign the above proxy form and post it so as to reach The Registrars, CardinalStone (Registrars) Limited, 358, Herbert Macauley Street, Yaba Lagos, not later than 48 hours before the appointed time for holding the meeting. If executed by a corporation, the proxy form must bear the common seal of such corporation.
5. Consequently, members are required to appoint a proxy of their choice from the list of the proposed proxies to represent them at the meeting:

| | | |
|---|---|---|
| 1) Mr. Kenny Ezenwani Odogwu | - | Chairman |
| 2) Mr. Hewett Benson | - | Independent Director |
| 3) Sir Sunday Nnamdi Nwosu, KSS | - | Shareholders' Representatives |
| 4) Mr. Boniface Ekezie | - | Shareholders' Representatives |
| 5) Mrs. Thorpe | - | Shareholders' Representatives |
| 6) Ms. Adetutu Siyanbola | - | Shareholders' Representatives |
| 7) Miss Ngozika Onu | - | Mazars Ojike & Partners |

*Tear off from here*

*BEFORE POSTING THE ABOVE CARD PLEASE TEAR OFF THIS PART AND RETAIN IT.*

**AUTHORITY TO ADMIT**

Please admit ........................................................................... at the 52nd Annual General Meeting of Royal Exchange Plc to be held at the Operations Office, Royal Exchange Plc, 34/36, Oshodi Apapa Expressway, Charity Busstop, Oshodi, Lagos, on Thursday October 28, 2021, 10.00 o'clock in the forenoon.

**MAZARS OJIKE & PARTNERS**
COMPANY SECRETARY
FRC/2021/002/00000022920

**NOTES:**

1. This authority to admit must be produced by the shareholder or his/her proxy in order to gain entry to the venue of the Annual General Meeting
2. Shareholders or their proxies must sign this authority for admission before attending the Meeting.

.............................................................................................................
Signature of person attending

| FOR REGISTRAR/COMPANY USE ONLY |
|---|
| NAME OF SHAREHOLDER: |
| NUMBER OF SHARES: |

**CAUTION: TO BE VALID THIS FORM MUST BE STAMPED ACCORDINGLY**

# Proxy Form Cont'd

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Please Affix
Postage Stamp
Here

The Registrar,
CardinalStone (Registrars) Limited,
358, Herbert Macauley Street,
Yaba, Lagos.

# Important Notice

To:

The Registrar,
CardinalStone (Registrars) Limited,
358, Herbert Macauley Street
Yaba, Lagos.

ROYAL EXCHANGE

## REQUEST FOR E-BONUS

I/We hereby request that henceforth, all bonuses due to me/us with respect to my/our shareholding in Royal Exchange Plc be paid directly to my CSCS/stock broker account stated below:

Account Details:

Shareholder Account No:

*(Please look on the left hand corner of our certificate for your shareholder account number)*

Name of Shareholder:

Address of Shareholder:

Investor's Account No:

CSCS Account No. (CHN):

GSM No:

E-mail Address:

Yours faithfully,

Signature:

Name:

Corporate shareholders
) should please affix seal
here and state RC No.

For Joint Shareholders

Signature:

Name: ) of Shareholder

Signature:

Name: ) of Shareholder

Signature:

Name: ) of Shareholder

Official stamp and authorized signatures of stockbroker

1. Signatory:
2. Signatory:

Seal of stockbroker

Please Affix
Postage Stamp
Here

The Registrar,
CardinalStone (Registrars) Limited,
358, Herbert Macauley Street,
Yaba, Lagos.

# Mandate for E-Dividend Payment

CARDINALSTONE REGISTRARS

Affix Current Passport
(To be stamped by Bankers)
Write your name at the back of your passport photograph

E-DIVIDEND MANDATE ACTIVATION FORM

**Instruction**

Only Clearing Banks are acceptable

Please complete all section of this form to make it eligible for processing and return to the address below

**The Registrar,**
**CardinalStone Registrars, Limited**
358, Herbert Macaulay Way, Yaba,
P.O. Box 9117, Marina, Lagos
Nigeria.

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

**Shareholder Account Information**

Surname / Company's Name | First Name | Other Names

Address :

City | State | Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1 | Mobile Telephone 2

Email Address

Signature(s)

Company Seal (If applicable)

Joint\Company's Signatories

| TICK | NAME OF COMPANY | SHAREHOLDER'S ACCOUNT NO. |
|---|---|---|
| | ACORN PET. PLC | |
| | AFRIK PHARMACEUTICALS PLC | |
| | AG HOMES SAVINGS & LOANS | |
| | AG LEVENTIS | |
| | ARBICO PLC | |
| | ASHAKACEM PLC | |
| | BANKERS WAREHOUSE | |
| | BETA GLASS | |
| | CAPITAL HOTEL PLC | |
| | ELLAH LAKES | |
| | EVANS MED PLC | |
| | FCMB BOND | |
| | FCMB GROUP PLC | |
| | FIDSON BOND | |
| | G. CAPPA PLC | |
| | GUINEA PLC | |
| | IMB ENERGY MASTER FUND | |
| | JOS INT. BREWERIES PLC | |
| | KOGI SAVINGS & LOAN LTD | |
| | LAFARGE AFRICA PLC | |
| | LAFARGE BOND | |
| | LAW UNION & ROCK PLC | |
| | LEGACY FUND | |
| | LIVESTOCK FEEDS PLC | |
| | MORISON PLC | |
| | MRS OIL PLC | |
| | NAHCO BOND | |
| | NAHCO PLC | |
| | NEWPAK PLC | |
| | N.G.C PLC | |
| | NGC STERILE | |
| | NPF MICROFINANCE BANK | |
| | NULEC INDUSTRIES PLC | |
| | OKOMU OIL PALM PLC | |
| | PREMIER PAINT PLC | |
| | REAN PLC | |
| | SKYE BANK PLC | |
| | TOTAL NIG. PLC | |
| | TRANEX PLC | |
| | WOMEN INVESTMENT FUND | |

**Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-7120090**

**CARDINALSTONE REGISTRARS**
website:www.cardinalstone.com; E-mail: registrars@cardinalstone.com

# Mandate for E-Dividend Payment Cont'd

Please Affix
Postage Stamp
Here

The Registrar,
CardinalStone (Registrars) Limited,
358, Herbert Macauley Street,
Yaba, Lagos.


| | | | |
|---|---|---|---|
| CROP CYCLE: | GERMINATION | VEGETATIVE & FLOWERING | MATURITY |
| PERILS COVERED: | No rains/dry spells | Low Vegetation | Excess Rainfall |

Nigerian farmers are very skilled at managing their risks. However, some risks are difficult to control, like extreme weather events. Royal Exchange's Climate Change Insurance helps farmers manage their risks better and create a more resilient farm business.

**For more details and enquiry, kindly contact:**

**Chukwuma Kalu**
Head, Agribusiness & Business Development
Tel: 0705 736 2364

**Kabir Mohammed**
Agric Marketer, North
Tel: 0703 936 4573

**Dr. Olayemi Bamigbade**
Agric Marketer, South West
Tel: 0903 237 6152

**KehindeAlao**
Agric Underwriter
Tel: 0805 697 7512

**Email: info@royalexchangeplc.com, general@royalexchangeplc.com**

**www.royalexchangeinsurance.com**

# Chairman's Statement

Distinguished shareholders, fellow Board members, representative of the various regulatory bodies, members of the press, ladies and gentlemen.

It gives me great pleasure to welcome you to the 52nd Annual General Meeting of our Company, taking place this 28th Day of October, 2020 where the Audited Annual Financial Statements and Annual Report of your Company will be presented for your consideration.

I am delighted, therefore to present to you a report of the operating environment as well as the annual report and financial statements of the Company for the year ended 31 December 2020, and synopsis of our expectations for 2021, for your kind consideration. But before doing so, permit me to highlight a few aspects of our business environment that had significant impacts on our operations in the year under review.

## 2020 MACROECONOMIC REVIEW

### Global

For the larger part of the year 2020, trade tensions dominated the global economic activities especially between the world's biggest economies (China and USA) with tariffs and retaliation measures being used between the two, These developments triggered sharp movements in global equity markets, a decline in global oil prices and higher capital outflows from the emerging economies. As the trade disputes threaten to become even more pervasive, the global growth outlook has darkened.

The protracted period of high trade tensions is exacerbating an ongoing cyclical slowdown in global economic activity. In tandem with slowing industrial production, world trade growth has decelerated sharply over the past year.

Furthermore, an intensification of the trade conflict would fuel greater uncertainty in the global environment, leading to an increased likelihood of firms postponing or cancelling investment plans. Coupled with softening global demand and country-specific issues, recent data reveals that investment growth has slowed sharply in many developing economies, including Mexico, the Republic of Korea, South Africa and Singapore.

Several developing countries, however, stand to benefit in the short term from a diversion in trade flows, as firms seek to source inputs from countries that are not directly affected by the tariffs. Moreover, while trade disputes between China and the United States may create opportunities for a few countries, the overall effects on the global economy are negative.

### Local

Nigerian economy was not immuned from the global negative effect that permeated the year 2020. Real GDP growth was estimated at 2.3% in 2020, marginally higher than 1.9% in 2019. Growth was mainly in transport, an improved oil sector, and information and communications technology. Agriculture was hurt by sporadic flooding and by conflicts between herdsmen and local farmers. Manufacturing continues to suffer from a lack of financing. Final household consumption was the key driver of growth in 2020, reinforcing its 1.1% contribution to real GDP growth in 2019.

The effort to lower inflation to the 6%–9% range faced structural and macroeconomic constraints, including rising food prices and arrears payments, resulting in a rate estimated at 11.3% for 2020.

Despite the hostile operating environment in 2020, Royal Exchange Plc achieved a group-wide total gross written premium of ₦15.3billion in the financial year of 2020 against ₦14.21billion achieved in 2019 representing ₦101billion increase and 8% rise.

With fiscal revenues below -3% of GDP, increased public spending widened the deficit, financed mainly by borrowing. At the end of June 2020, total public debt was ₦31.01trillion, 21% above ₦25.7trillion in 2019. Total debt to GDP was ₦31.01trillion against ₦152.32trillion in 2019. Domestic Public Debt was ₦1.85trillion and External Public Debt was $33.85billion. The share of Bi-lateral debt rose at 12.2% as at December 2020 and Eurobond to External Debt was 32.6%

President Buhari's political party was re-elected with a majority in the Senate and House of Representatives. This is significant because the President can pass through his tax, borrow and spend agenda. A key policy thrust for the Buhari government has been the retention of subsidies on premium motor spirit. The Buhari government spent ₦650.2bn in subsidizing petrol from April 2018 to March 2019, a figure higher than health and education spend. The government is seeking to borrow a massive $30bn from the international debt markets.

## 2020 OPERATING RESULTS FOR THE COMPANY

Despite the hostile operating environment in 2020, Royal Exchange Plc achieved a group-wide total gross written premium of ₦15.3billion in the financial year of 2020 against ₦14.21billion achieved in 2019 representing ₦101billion increase and 8% rise. However, this represents 99% of the budget figure for the period.

Total claims incurred (Net of recoveries) were ₦3billion as against ₦3.18billion incurred in the same period in 2019, translating to a positive variance of 16% and an increase in claims expenses of about ₦509million..

We made a total underwriting profit of ₦11.12billion which is 22% and ₦308million above what was achieved in 2019 and also fell short of the full year 2020 profit forecast by ₦2.1billion representing 65% negative variance.

Across the Group, cost containment was effective throughout the year 2020 as total operating expenses of ₦2.2billion was incurred in the full year 2020 against ₦2.4billion spent in the year 2019 resulting in a decrease of 4% and ₦85million as savings. It also translated to 23% and ₦688million savings when compared to the corresponding year 2020 budgeted amount.

A profit before tax of ₦130million was recorded in 2020 against a loss before tax of ₦1billion achieved in 2019 resulting in an increase in profit before tax by 13% and ₦1.1billion.

## EXPECTATIONS FOR 2021

Global growth is projected at –4.9 percent in 2020, 1.9% points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020.

### Tailwinds and Headwinds

Real GDP growth is projected to rise to 2.9% in 2020 and 3.3% in 2021. It depends on implementing the Economic Recovery and Growth Plan (2017–2020), which emphasizes economic diversification. The Central Bank of Nigeria's recent decree that banks hold loan–deposit ratios of 60% bodes well for increasing lending to the real sector. Simultaneously, the retrenchment of government borrowing and easing of the risks of lending to small business could lower interest rates and unlock bank lending to the private sector.

An increase in the value-added tax from 5% to 7.5% to shore up domestic nonoil revenues is welcome, though organized labor and businesses have raised concerns of a potential rise in costs. The government also plans to revisit investment tax breaks.

Oil exports have improved, driving up foreign exchange reserves and creating an impetus for the central bank to intervene in the foreign exchange market. The current account is projected to remain in surplus in 2020, benefiting from improved oil revenues.

Nigeria has many opportunities to transform its economy, particularly in agro-processing. Special agro-processing zones could promote agro-industrial development and employment. But insecurity could deter foreign investors, shrivel the domestic economy, and ultimately dampen prospects for economic growth. High unemployment could create social tensions. Rising public debt and associated funding costs could pose fiscal risks if proposed adjustments are not implemented.

## Deployment of World Class software

The new world class software we acquired and deployed to our Insurance subsidiaries has started yielding positive fruits by making our workflow seamless. We hope to build on this.

## Website Upgrade

In order to remain competitive as a fledging insurance superpower, and in line with our strategic implementation of our digitalization plan, the newly upgraded website has many features including call-to-action/sale capabilities which is customer focus. Clients can now log in and purchase insurance cover online and our call-center too is now up and running with 24-hour facilities to attend to enquiries. The other subsidiaries within the group now have their independent websites dedicated for their operations.

## Capitalization plan

Our capital raising plan has been in motion even before NAICOM came up with the recent capital injection demand. We are glad to inform the shareholders that with the approval of our regulator, NAICOM, Royal Exchange General Insurance has new foreign investors in the names of IIF from Switzerland and Afric Investment Five from Tunisia. The strategic investors came in with value addition apart from the capital injected into our General Insurance Business Company.

We have other interested investors and their requests to invest with the Brand is still being considered. While general business is almost through with the capital raising process, we are on course to conclude that of the life business before the end of third quarter of 2021 ahead of the deadline of 31st December, 2021 as required by the regulator, NAICOM. Other subsidiaries (Our Microfinance Bank, HMO and Finance Company respectively) are not being neglected in this capital raising/injection exercise in order to make them competitive and stronger in the ever growing financial market.

In summary, your Board is confident about the future of our Company despite the hostile business environment.

I am grateful to my colleagues on the Board for their co-operation and contributions during the year under review. Finally, I would like to thank you, our loyal shareholders, for keeping faith with your Company over the years.

Thank you for your attention.

**Kenny Ezeanwani Odogwu**
Group Chairman
Royal Exchange Plc.

# Report of Corporate Governance

## Introduction

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.

### 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. 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 Coordinator 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.

### Executive Directors (ED)

The Executive Directors' appointment 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

| Directors | Status | | | |
|---|---|---|---|---|
| Expected Meetings | 4 | | | |
| Actual Meetings | 10 | | | |
| No. of Members | 8 | Designation | Attendance | % Attendance |
| Mr. K. E. Odogwu | Non-Executive Director | Chairman | 10 | 100% |
| Chief A. I. Idigbe (SAN)** | Non-Executive Director | Member | 9 | 90% |
| Mr. Nnamdi Oragwu | Alternative | 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% |
| Mr Wale Banmore | Group Managing Director | Member | 5 | 50% |
| Average Attendance | | | | 78% |

**Note: Mr. Banmore resigned his appointment w.e.f 31 December 2020.
***Note: Chief Idigbe, SAN was represented by his alternate Mr. Nnamdi Oragwu in some of the meetings.

### 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.

### 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 five (5) 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), Mr. D. Maegerle, 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.

## Board Committee Meetings Attendance Summary

## Board Committee Meeting Attendance

| Directors | Status | RMS | AC | BSC | F&GP |
|---|---|---|---|---|---|
| **Expected Meetings** | | **2** | **6** | **2** | **5** |
| **Actual Meetings** | | **4** | **4** | **4** | **4** |
| **No. of Members** | | **4** | **4** | **4** | **4** |
| Chief A. I. Idigbe (SAN) | Non-Executive Director | | 4 | | 5 |
| Chief U. Okpa-Obaji | Non-Executive Director | | | | |
| 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 |
| Alhja A. S. Kudaisi | Shareholder Representative | | 4 | | |
| Mr. T. Olawuyi | Shareholder Representative | | 4 | | |
| Mr. A. Bekunmi | Shareholder Representative | | 4 | | |
| **Average Attendance** | | **100%** | **100%** | **100%** | **60%** |

## 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.

## 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.

## Group structure and shareholders

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 ensures 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 Meetings

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 concern status is periodically released to the investing public on quarterly, half-yearly and annual basis in widely read national newspapers.

## 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.

## 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 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.

## Notes

1. It is the policy of the Group that any Director who will be absent from any meeting shall send his alternate to attend the meeting. In compliance with the above, every Director ab-initio has named and presented his alternate's details to the Board. The Directors with asterisksеs were represented by their alternates on the day they were absent.

2. The Company confirms that it has in place Securities Trading Policy which is in compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Nigeria Exchange Limited 2015 (Issuers Rule), which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company shares; and

3. The Company has an approved Complaints Management Policy Framework in compliance with the rules and regulations of Securities and Exchange Commission (SEC).

4. A disclosure that the Company was penalized the sum of ₦13,400,000.00 by the Nigerian Exchange Limited for late filing of the Company's Audited Financial Statements for the Year ended 31 December 2019; and First and Second Quarter Unaudited Financial Statements for the periods ended 31 March and 30 June 2020 respectively.

**MAZARS OJIKE & PARTNERS**
COMPANY SECRETARY
FRC/2021/002/00000022920
LAGOS, NIGERIA
SEPTEMBER 25, 2021

# Risk Management Statement

## Overview

As the company strategic and structural model gravitate towards a new approach to meeting the daunting economic challenges, the risk management architecture is built to provide the pathway through potential economic vagaries which could derail the company's goal. In the light of its corporate objective, Royal Exchange identified its major risk areas as Insurance (underwriting, claims and reinsurance), strategic, operational, Credit, Market, Regulatory, Liquidity and Information Technology.

Therefore, for its continual sustainability, the company believe its risk management system and culture must be based on industry best practice and modelled around the COSO concept of enterprise risk management which emphasizes "a process driven by a strong board of directors, management and other personnel, applied in strategy setting and across the enterprise, to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of the entity's objectives" without which its business strategic initiatives cannot be achieved.

### Risk Management Philosophy

The company is completely averse to any business venture or transactions that potentially could erode its values and bottom line thus, the company will not to venture into business to which it has limited knowledge or expertise. Understanding that the greater the complexity of a transaction, the greater the inherent uncertainty.

### Enterprise Risk Management framework:

### Risk Management Process

The Risk Management infrastructure encompasses an integrated approach to identifying, managing, monitoring and reporting risks. Fundamental to our risk management practice is a strong corporate governance culture which is set at ensuring effective oversight functions are in place.

### Risk Governance

**Board Committees:** The Board of Directors has overall responsibility for the establishment of the Group's Risk Management framework and exercises its oversight function over all the Group's prevalent risks via its various committees; Board Risk Management Committee (BRMC), Board Investment Committee (BIC), Board Strategy Committee (BSC), Board Finance & General Purpose Committee (BF&GPC), Board Establishment & Governance Committee (BE&GC) and Board Audit Committee (BAC). These committees are responsible for developing and monitoring risk policies in their specific areas and report regularly to the Board of Directors.

To effect these oversight functions, board and management relies on regular reporting of the Group risk profile and current risk issues. These are generated by the various business units such as Audit, Control, Risk and Compliance for management's decision making. These reports include:

- Weekly Control exception logs
- Monthly Key Risk Indicator (KRI) Report
- Monthly Internal Control Report
- Quarterly Actuarial Valuation Report (AVR)
- Quarterly Risk Assessment Report
- Quarterly Compliance Report
- Quarterly Internal Audit Report

### Group Risk Management Committee

This Committee is responsible for the oversight of a variety of risks arising from the group's business including, Insurance, Liquidity, Credit, Market, Operational, Technology and Compliance. The members of the Committee include the Group Managing Director, Managing director of the subsidiaries, Chief Operating Officer, Executive Directors, Chief Financial Officer, Chief Compliance Officer and Chief Risk Officer.

### Group Assets and Liability Management Committee (GALCO)

This Committee is responsible for establishing guidelines on group's business including, Insurance, Liquidity, Credit facilities and Monitoring of the status of implemented assets and liability strategies.

## Control Environment

The company has two Board Committees (Board Risk Management Committee & Board Audit Committee) maintaining oversight function on the company's Risk Management Processes.

The BRMC is responsible for setting risk Management policies that ensure material risks inherent in the company's business are identified and mitigated or controlled. The Audit Committee is independent and maintains oversight functions include among others, ensuring that quality accounting policies, and independent and objective statutory auditors are in place to prevent and detect fraud and material errors in financial reporting.
The Management committees are responsible for implementing risk Management policies set out by the Board. They are also responsible for setting internal control policies and monitoring the effectiveness of the internal control systems. They ensure proper books of accounts are kept and accounting policies are in conformity with: International Financial Reporting Standards; Prudential Guidelines issued by all regulators governing Royal Exchange business activities.

## Internal Control and Risk Management System

The internal control and risk management system is designed to provide reasonable assurance regarding the achievement of objectives" in three categories-effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

For adequacy of effective control, the company adopted the three line of defense in its operations. First level defense (operational management) is carried out by the business owners and customer facing units who set the strategic directions of the company and are first contacts with the clients respectively, whilst the Risk Management, internal control and Compliance units carry out second level defense (Checking). Verifications, Validations and Reconciliations of all internal ledgers are regularly proofed and reconciled; exception reports are generated. The Internal and External Auditors carry out the third level defense by giving independent assurance that control is effective and efficient.

## Risk Assessment

The Board and Senior Management regularly assess the risks the group is exposed to, and the effectiveness of the internal control on an ongoing basis and specifically on quarterly basis. Senior Management also regularly considers whether the existing internal controls are effective in relation to the risks identified in the process mapping and Risk and control self-assessments. The Board also assesses the Management letter issued by the external auditors which contains the auditors' observations on the control environment in the company at the Audit Committee meetings.

## Control Activities

It is intended to provide a second level defense and ensure there are no surprises which could rock and derail the enterprise objectives and thus, provide reasonable assurance in three categories of effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations to ensure that material errors or inconsistencies are identified and corrected. The scope of internal control therefore extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives, and endeavors of all types at all levels.

The group also set internal limits guiding its investments activities, liquidity, credit concentration limits. Additionally, limits are set for approval and authorization of any credit facilities and expenses. Also in place is segregation of duties with maker-checker in all processes; no officer can start and conclude transactions. Limits exist for transactions are approved at appropriate levels.

Additionally, the company has instituted a whistle blowing culture among staff and is continually creating awareness among its stakeholders. The whistle blowing platform is accessible to all and the aim is primarily to ensure that all cases of irregularities are made known and addressed by the company. Royal Exchange understands the need for a timely, reliable and accurate information flow, for effective decision making, enhanced financial reporting and governance process, every information regarding the activity of the company is carried out within the company's risk management and communication policy which outlines the process flow and specifies the duties and responsibilities of every officer in relation to the activity.

## Risk culture

The goal of the risk culture is to ensure that the long term survival and reputation of the company are not at risk. Sustaining the promotion of risk awareness across the Group and management of associated risks deemed unacceptable are the core focus of the risk culture. To this end, the company continually exposes the staff to training on principles and practice of ERM which has enhanced the skill level of the staff members.

## Risk Appetite

The Board of directors established the Group risk appetite statements to guide the Group to effectively discharge its functions. The management is thus guided to take decisions on managing different categories of risk within the purview of the risk appetite statements. Also, the risk appetite levels such as prudential limits were set by the Board of directors to guide the management's decision on the amount of risk they are prepared to accept. In line with the Group appetite statements, the subsidiaries' risk appetites were scaled down from that of the Group to reflect the respective subsidiary's need.

## Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and depositors' funds and monitoring them closely to ensure that the Company is satisfactorily managing affairs for their benefit thus operations of the Company are subject to regulatory/prudential guidelines.
Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive reserves (e.g., contingency reserve, limits on recognition of revaluation reserves for solvency purposes, Limit of investment in fixed assets, Permissible level of portfolio at risk and distribution to shareholders of actuarial surpluses) to minimize the risk of default and insolvency on the part of the companies to meet unforeseen liabilities as these arise.

## Asset and Liability Management Framework

The Assets and Liability Management framework is integrated in the overall risk management policy of the company be it directly or indirectly associated with insurance and investment liabilities. Our insurance risk management policy is to ensure, in each period, sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

## Capital Management Approach

The Company's capital management policy is to hold sufficient capital to cover the statutory requirements based on regulators' directives, including any additional amounts required by the regulators. To this end, the Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- Maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- Retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- Align the profile of assets and liabilities, taking account of risks inherent in the business;
- Maintain financial strength to support new business growth and satisfy the requirements of the policyholders, regulators and other stakeholders.

In reporting financial strength, capital and solvency are measured using the rules prescribed by NAICOM. These regulatory tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of assets held.

The capital management process is governed by the Board of directors who has the ultimate responsibility for the capital management process. The Board of directors is supported by the Board risk management committee, Board credit committee all of whom have various inputs into the capital management process.

## Enterprise-Wide Risk Universe

The corporate strategy of the company exposes it to varied forms of risk, such as the failure of the strategy itself, Operational Risk, Insurance Risk, Credit Risk, Liquidity Risk, and Market Risk. To mitigate all of these risks, the company has put in place approved policies, procedures and guidelines to identifying, measuring and control of these risks.

## Operational Risk

The company, recognizing it cannot completely eliminate the Group operational risk, such as human error, system failure fraud and external events, has put in place adequate controls to ensure that the impact does not lead to damage to the reputation of the company, financial loss or legal and regulatory implication.

Controls such as segregation of duties, access control, authorization and reconciliation procedures, staff education and assessment processes including the use of internal audit have been put in place. Business risks such as changes in environment, technology and industry are monitored through the company strategic planning and budgeting process.

## Insurance Risk

Insurance business being the central part of the Group business exposes the company to the risk of timing and expectations of claims and benefit payments. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims.

Underwriting risk appetite is defined based on underwriting objectives, business acceptance guidelines, retention guidelines, net retention capacity, annual treaty capacity, regulatory guidelines, other operational considerations and the judgment of the Board and senior management.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and ensuring that sufficient reserves are available to cover these liabilities.

The company has also instituted Asset & Liability Committee to provide guidance and oversight function on potential insurance risk exposure. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

## Credit Risk

The company ensures the establishment of principles, policies and processes and structure for the management of risk exposure arising from direct default, counter party and concentration risks to ensure that these risks are properly managed within the Groups risk appetite.

The company's credit risk appetite is set based on the company's strategic objectives, available resources and the provisions of the regulators' prudential guidelines. The Group credit risk policy is to ensure that an appropriate, adequate and effective system of risk management and internal control which addresses credit control is established and maintained.

In setting this appetite limits, the corporate solvency level, risk capital and liquidity level, level of investments, reinsurance and coinsurance arrangements, nature and categories of its clients, are taken into consideration.

The following risk mitigation and control activities are in place to effectively manage exposures to default risk: client evaluation, credit analysis, credit limit setting, credit approval, security management, and provision for impairments.

Similarly, the quality and performance of credit portfolios is monitored to identify early signs of decline in credit quality. Such activities include the review of ageing report, credit portfolio quality and delinquency management.
Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of directors and are subject to regular reviews.

## Liquidity Risk

The Group's strategy at mitigating liquidity risks is to continually maintain a good optimum balance between having stock of liquid assets, profitability and investment needs. Additionally, credit control and approval limits, effective management of receivables and contingency account to meet all claims payment are put in place.

The liquidity risk management governance structure comprises the Board, Management and Internal audit department.

## Market Risk

The Group market risk strategy is to maintain a cautious and prudent approach to investment and trading activities and as such, except waived by the Board investment committee (BIC), the group will not undertake investment/trading transactions that do not fall within the Group risk appetite no matter how profitable the transaction may seem.

Additionally, the company will not enter into any transaction with any organization with perceived likelihood of failure or showing signs of going concern challenges and or enter into any transaction that is illegal, unethical or contravene any applicable law, regulations, and professional code of conduct or is capable of damaging the company corporate image or key officer.

## Regulatory/Compliance Risk

Compliance risk is exposure to legal penalties, financial forfeiture and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. This threat can lead to diminished reputation and limited business opportunities as the company finds its franchises reduced in value and its potential for expansion curtailed.

Whilst Governance refers to the responsibility of the company's executives for maintaining organizational transparency and taking steps to reduce compliance risk by ensuring that established policies and procedures are followed, Risk management is the process by which a company sets its risk tolerance and, Compliance is the process that actually records and monitors the daily business activities to make sure that the company is complying with the law, industry mandates, and internal policies.

Thus, the company takes an integrated approach to compliance risk management with an effective and holistic Governance, Risk and Compliance (GRC) approach to business activities.

Smart™ AGRIC

ROYAL EXCHANGE General

Control your farm risk with

# CLIMATE CHANGE CROP PROTECTION

## INDEX INSURANCE

CROP CYCLE:

| GERMINATION | VEGETATIVE & FLOWERING | MATURITY |
| --- | --- | --- |

PERILS COVERED:

| No rains/dry spells | Low Vegetation | Excess Rainfall |
| --- | --- | --- |

Nigerian farmers are very skilled at managing their risks. However, some risks are difficult to control, like extreme weather events. Royal Exchange's Climate Change Insurance helps farmers manage their risks better and create a more resilient farm business.


For more details and enquiry, kindly contact:

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**www.royalexchangeinsurance.com**

# Board of Directors

**Mr Kenneth Odogwu**
Group Chairman

**Chief Anthony Idigbe** (SAN)
Director

**Alhaji Ahmed Rufa'i Mohammed**
Director

**Mr. Adeyinka Ojora**
Director

**Mr. Hewett Benson**
Independent Director

# Board of Directors' Profile

**Mr Kenneth Odogwu**
Group Chairman

He is a legal practitioner. He was called to the Nigerian Bar in 1990 and was engaged as a counsel in the firm of Sofunde, Osakwe, Ogundipe & Belgore. He worked as the Head (Legal Department) of Perfecta Investments Limited, a capital market operator and as Chief Executive Officer of Siotel, an IT company.

He is currently on the board of several publicly quoted and private companies and was the last Chairman of International Merchant Bank (IMB), before it merged into First Inland Bank (now FCMB). He is also the Chief Executive of Odogwu Group of Companies.

He was appointed to the Board of the Company on September 1, 1997 and became Chairman on July 26, 2007.

**Chief Anthony Idigbe** (SAN)
Director

A seasoned legal practitioner with over 30 years experience, Chief Anthony Idigbe is the Senior Partner in Punuka Attorneys. He was elevated to the rank of Senior Advocate of Nigeria (SAN) in 2000 and was recently admitted to practice law in Ontario, Canada. He has advised clients on several complex transactions and has represented major companies and institutions in the highest courts of Nigeria.

He is a well-known capital markets legal adviser and has advised and acted as counsel to the Securities and Exchange Commission. He has also been involved as lead counsel in many 'big ticket' litigation briefs such as the Kano Trovan Clinical Trial Cases. He also possesses wealth of knowledge and experience in Telecommunications Law particularly the workings of the Nigerian Telecommunications Industry, having represented numerous clients in various telecommunications disputes.

Chief Anthony Idigbe, SAN, graduated from the University of Ife, (now Obafemi Awolowo University), Ile- Ife in 1982 with a 2nd Class Upper Degree (Hons). He also received the Hon. Justice Orojo Prize for the Best Student in Company Law. He finished from the Nigerian Law School, Lagos in 1983, also with a Second Class (Upper Division). He has an LLM from the University of Toronto, Canada (2015), the Robert Gordon University (RGU), Scotland, UK (2012) and the University of Lagos, Akoka (1988) respectively as well as MBA from the Enugu State University of Science and Technology (ESUT) Enugu (1997). He also has a Diploma in Advertising from Advertising Practitioners Council of Nigeria (APCON), (1999) and was a Lecturer at ESUT Business School, Enugu between 1999 and 2009 and APCON from 2000–2002.

Chief Idigbe is a Fellow of the Chartered Institute of Arbitrators, UK, Insolvency International and the International Bar Association. He is also a member of the Institute of Directors and the International Insolvency Institute. He was the immediate past President of the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN). He was the Founder and first Chairman, Capital Markets Solicitors Association (CMSA), and now functions as a Trustee of the Association. He has also served on various arbitration panels and is presently a member of the International Criminal Court (ICC) Arbitral Panel. He is the author of many published books and articles. He is currently the Chairman of the Finance, Investment and General Purpose Committee.

**Alhaji Ahmed Rufa'i Mohammed**
Director

He is a graduate of the Ahmadu Bello University, Zaria, Kaduna State. He also holds a certificate in Banking and Development Finance from the Manchester Business School and is a Fellow of the Institute of Public Administration.

He has undertaken several national assignments and is currently on the Board of several publicly quoted and private companies. He is currently the Chairman of the Institute of Directors (IOD). He is also the Chairman of the IOD Governing Board, and the IOD Centre for Corporate Governance. He is a recipient of various national and international awards and honours.

He was appointed to the Board of the Company on May 16, 2007. He is currently the Chairman of the Board Strategy Committee of the Company.

**Mr. Adeyinka Ojora**
Director

Mr. Ojora started his business pursuits in 1992 when he joined Nigerlink from AT&T Global Information Services where he was a marketing support specialist for the MICR implementation for the Central Bank of Nigeria. He worked with Eco Securities Limited as an assistant registrar and broker from 1996-1998 and was later appointed Managing Director with specific responsibility for power generation. He also heads the defence procurement division of Nigerlink Industries Limited.

He serves as a director on the boards of different companies, as well as advisor to numerous companies seeking entry into the Nigerian market place. As a philanthropist, he is a trustee of the Well Being Foundation, whose goal is the reduction of maternal and infant mortality in Nigeria.

He is a director, Ojora group and was appointed to the Board of Royal Exchange on June 6, 2011. He is currently the Chairman of the Board Risk Committee.

**Mr. Hewett Benson**
Independent Director

He holds a First Class Honours Bachelor degree in Aeronautics from the Imperial College, University of London, UK, a Master of Science in Aeronautics and Astronautics from the Massachusetts Institute of Technology, USA, as well as a Certificate of Post Graduate Education (CPGE) in Engineering from the Churchill College, University of Cambridge, UK.

He was a past Executive Director (Asset Management) of Asset Management Corporation of Nigeria (AMCON); the first Vice President of Asset and Resource Management, Nigeria; former Managing Director/CEO of Asset & Resource Management, Ghana; former Managing Director of Chapel Hill Denham Management Limited; former Chief Operating Officer of First Funds - First Bank, Nigeria and the founding Managing Director/ CEO, Investment Banking (Private Equity/Financial Advisory) of Enterprise Capital Management Limited.

He is currently the Manging Director (Development Advisory) of Enterprise Capital Management Limited and he was appointed an Independent Director of Royal Exchange Plc on April 26, 2018.

# Management Team

**Mr. Benjamin Agili**
Managing Director,
Royal Exchange General Insurance

**Dr. Emenike Onwutalu**
Managing Director,
Royal Exchange Healthcare

**Mrs. Irene Opara**
Managing Director,
Royal Exchange Finance & Asset Management

**Mr. Sunday Adunola**
Acting Managing Director,
Royal Exchange Microfinance Limited

**Mr. Onyenaturuchi Urum Ezikpe**
Group Head,
Finance & Accounts

**Mr. 'Biyi M.W. Elliott**
Group Head,
Enterprise Risk Management

**Mr. Monday Obodo**
Group Head,
Audit and Investigation

**Mr. Jide Adams**
Group Head,
Information Technology

# Management Team Profile

**Mr. Ben Agili**
Managing Director,
Royal Exchange General Insurance

Mr. Agili is a graduate of Building Technology of the Institute of Management and Technology, Enugu and holds an MBA in Financial Management from Lagos State University, Ojo, Lagos State.

He is a Fellow of the Chartered Insurance Institute of London (FCII) and the Insurance Institute of Nigeria (FIIN). He started his insurance career with UNIC Insurance Plc. He joined Royal Exchange Plc in 2003 as an Assistant General Manager (Eastern Operations) and was later elevated to a Regional Director in 2007. In 2015, he was appointed Managing Director of Royal Exchange General Insurance Company Limited; a subsidiary of Royal Exchange Plc.

**Dr. Emenike Onwutalu**
Managing Director,
Royal Exchange Healthcare

Dr. Onwutalu holds MBBS (Bachelors of Medicine and Surgery) and MBA (Healthcare Management) degrees from University of Ilorin and Lagos State University respectively, as well as a Post Graduate Diploma in Health, Safety and Environmental Management from College of Medicine, University of Lagos.

He has over 25 years' cognate working experience in Clinical Practice and Health Insurance Industry. He has attended several professional and Management courses, training, conferences and workshops within and outside the country.

He joined Royal Exchange Healthcare Limited in November, 2008 as its pioneer Regional Manager, North and was appointed the Managing Director of the Company in November 2018.

**Mrs. Irene Opara**
Managing Director,
Royal Exchange Finance Company Limited

Mrs. Opara is a graduate of Business Administration of the Institute of Management and Technology (IMT). She holds a post graduate degree diploma in Banking and Finance and an MBA (Finance) respectively from the Anambra State University of Technology (Now ESUT).

She is a member of the Nigerian Institute of Management (NIM), an Associate member, Certified Pension Institute of Nigeria (CPIN) and a Senior Member of the Chartered Institute of Loan and Risk Management of Nigeria. Executive Management Team's

She has over 12 years of successful history of achievements in Senior Management roles in the banking and manufacturing sectors.

She joined Royal Exchange in November 2015 as the Chief Operating Officer, Royal Exchange Finance and Assets Management Limited now Royal Exchange Finance Company Limited (REFCO) and was appointed the Managing Director of the Company in January 2018.

**Mr. Sunday Adunola**
Acting Managing Director,
Royal Exchange Microfinance Limited

A second class upper division graduate of Urban and Regional Planning from Obafemi Awolowo University Ile Ife. He started his marketing career as a marketing officer in Life Assurance Unit with Leadway Assurance after his youth service with National Assembly Abuja. He later joined Mustard Seed Mortgage Bank where he also worked as a marketing officer. He started his career in Microfinance industry when he joined MIC Microfinance Bank as marketing officer in year 2006, later as a credit officer/team leader and rose from this position to become a Zonal Manager in charge of Business activities of four branches.

He joined Moorgate Microfinance bank in year 2008 as a Regional Manager – Micro/Retail banking and co ordinated all the head office and branches business activities. In 2011, he moved over to Mayfield Microfinance Bank as Chief Marketing Officer and later same year moved to Touch Gold Microfinance bank as Head, Business Development and Marketing the position he held till May 2012 before joining Royal Exchange Microfinance Bank as Head of Business Development. He has over 13 years experience cutting across core Marketing, Business Development and Credit. He has attended various trainings among which are team building, relationship management and customer service delivery, credit analysis and administration, marketing strategy, group lending methodology, financial inclusion and agency banking. He is a Certified Microfinance Banker and Member Institute of Credit Administration.

**Mr. Jide Adams**
Head,
Information Technology

Mr. Babajide Adams is a graduate of the University of Agriculture, Abeokuta, Ogun State, where he obtained a Bachelor of Science degree in Mathematical Sciences. He also holds a Master's degree in Business Administration (MBA) from Ambrose Ali University, Edo State and a Post-Graduate Certificate in Business Administration from the University of Leicester, United Kingdom.

He started his career with Cornerstone Insurance Plc where he worked in various departments, the last being the Information Technology Department from where he left as an Assistant Manager to join FINBank Plc (now part of FCMB). He also worked in mortgage banking industry in different capacities including managing enterprise risk, strategy as well as information technology. He was Group Head, Information Technology with Standard Alliance Insurance Plc from where he joined Royal Exchange Plc in September, 2018 as the Group Head, Information Technology.

He is a Certified Information Security Manager (CISM) and a Certified Information Systems Auditor (CISA). He also holds a certification in Risk and Information Systems Control and is a Fellow of the Institute of Information Management, Africa (FIIM).

**Mr. Onyenaturuchi Urum Ezikpe**
Head,
Finance & Accounts

Onyenaturuchi graduated from Abia State University, Uturu with a Bachelor's degree in Accountancy. He did his youth service with the Kano State Polytechnic – School of Business Administration as a Graduate Lecturer (NYSC), Department of Accountancy. He then had a brief stint with Accion Microfinance Bank in 2013 before joining Royal Exchange Plc the same year.

He is a seasoned Group Financial Reporting expert and has been responsible for the Group Financial Reporting of Royal Exchange Plc since 2016. In 2018, he was appointed Project Manager, IFRS 9 Implementation Task Force, working with Messrs PWC during the adoption of the International Financial Reporting Standard 9 (Financial Instruments) by the Group. In 2014, he successfully pioneered the project of processing Electronic Tax Clearance Certificate (e-TCC) for members of Staff of Royal Exchange Plc.

# Management Team Profile Cont'd

**Mr. Monday Obodo**
Group Head,
Audit and Investigation

Obodo Monday is a leading and highly experienced internal audit expert. He has over 16 years of experience in Accounting, Internal Auditing, and Control spanning from various industries including insurance, consulting, banking, FMCG, and Haulage & Logistics.
He currently drives the Royal Exchange Plc's Internal Audit Strategy and Framework.

Prior to joining Royal Exchange Plc, Monday was Financial Reporting Manager for AA Rescue Limited. He was responsible for developing the budget and budgetary controls and contributed immensely to the success of the business. He also worked at TOIME Nigeria Limited as an Accounting and Financial Analyst.

Monday holds a degree in Accounting and Finance from the Yaba College of Technology, Lagos State. He is an Associate of the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Taxation of Nigeria (CITN).

**Mr. 'Biyi M.W. Elliott**
Group Head,
Enterprise Risk Management

Biyi, is a seasoned Financial & Enterprise Risk Management Specialist with expertise in financial modelling and enterprise risk engineering.

He had worked in several capacity with different organizations and has over 25years work experience in insurance, finance and enterprise risk management. He has partnered with consulting firms (Pwc, Conrad Clark) on a number of projects in enterprise risk management which has further enriched his professional knowledge and skills.

He is an alumni of the University of Ibadan, Lagos State University, The Polytechnic Ibadan and the Lagos Business School, He obtained his professional certification with the International Association of Certified Risk & Compliance Management Professional Washington DC and, he is a certified Health & Safety Professional with the chartered Institute of safety professionals of Nigeria and has attended a number of professional and management executive trainings.

He is a member of several professional bodies such as Chartered Insurance Institute of Nigeria, Chartered Institute of Bankers of Nigeria, Chartered Institute of Loan & Credit Risk Management and Chartered Institute of Health & Safety of Nigeria.

# Directors' Report

For the year ended 31 December, 2020

The Directors are pleased to submit to the members of the Company, their 52nd 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 December 29, 1969, converted to a public limited liability company on July 15, 1989 and was listed on the Nigerian Stock Exchange on December 3, 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 results for the year ended 31 December, 2020.

| *In thousands of Naira* | Group 31 Dec 2020 | Group 31 Dec 2019 | Company 31 Dec 2020 | Company 31 Dec 2019 |
|---|---|---|---|---|
| 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 tax | **(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

**3.1** The Company did not recommend any dividend on ordinary shares to its members for the year ended 31 December, 2020 (2019: Nil).

## 4. Directors' Interest and Shareholding

A Board of six (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 |

**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) | | | Holdings as at December 31, 2019 | 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** | **4,527,787** | **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-appointments 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.

## 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 ₦5billion 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 ₦2,572,685,037 made up of 5,145,370,074 ordinary shares of 50k each.

| | No. of 50k Ordinary Shares Held as at December 31 2020 | % Holdings as at December 31 2020 | No of 50k Ordinary Shares held as at December 31 2019 | % Holdings as at December 31 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 |
| De-Canon Investment Limited* (Under Litigation - Suit No FHC/L/CS/5479/08) | 159,388,632 | 3.10 | 159,388,632 | 3.10 |
| Other Nigerian Citizens & Associations: | 1,318,956,349 | 25.63 | 1,318,910,309 | 25.63 |
| Grand Total | 5,145,370,074 | 100.00 | 5,145,370,074 | 100.00 |

The Company hereby declares that aside from the listed person(s) in the above schedule, 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.

**5.3** Share Range Analysis as at December 31, 2020

| **Share Range Analysis as at December 31, 2020** | | | **No. of Holders** | **% of Units Held** | **Units Held** | **% of Units Held** |
|---|---|---|---|---|---|---|
| 1 | - | 500 | 1,223 | 7.9051 | 277,199 | 0.01 |
| 501 | - | 1,000 | 830 | 5.3649 | 634,933 | 0.01 |
| 1,001 | - | 5,000 | 5,173 | 33.4368 | 14,405,632 | 0.28 |
| 5,001 | - | 10,000 | 2,799 | 18.0919 | 19,465,514 | 0.38 |
| 10,001 | - | 50,000 | 3,572 | 23.0884 | 79,510,137 | 1.55 |
| 50,001 | - | 100,000 | 775 | 5.0094 | 56,957,450 | 1.11 |
| 100,001 | - | 500,000 | 798 | 5.158 | 167,157,938 | 3.25 |
| 500,001 | - | 1,000,000 | 119 | 0.7692 | 86,414,564 | 1.68 |
| 1,000,001 | - | 5,000,000 | 125 | 0.808 | 274,127,828 | 5.33 |
| 5,000,001 | - | 10,000,000 | 33 | 0.2133 | 178,551,589 | 3.47 |
| 10,000,001 | - | 5,145,370,074 | 24 | 0.1551 | 4,267,867,290 | 82.95 |
| **Total** | | | **15,471** | **100.00** | **5,145,370,074** | **100.00** |

**5.4** Share Range Analysis as at December 31, 2019

| Share Range Analysis as at December 31, 2019 | | | No. of Holders | % of Units Held | Units Held | % of Units Held |
|---|---|---|---|---|---|---|
| 1 | - | 500 | 1,187 | 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 |
| **Total** | | | **15,453** | **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, Cap C20 Laws of the Federation of Nigeria 2004, the Record of Directors' Attendance at 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 ₦2,000,000:00 to National Insurance Commission (NAICOM) as COVID-19 support (2019: Nil).

## 9. Events After Reporting Date

There was a significant event after the reporting date, which requires disclosure in this financial statements, this has 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 Group 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 times.

## 12. Employees' Development

### 12.1 Employment of physically challenged persons

It is the policy of the Group that there 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.

### 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 |
| Mr. T. Olawuyi | – | Shareholders' representative |
| Mr. B. Akinsolu | – | Shareholders' representative |
| Chief A. I. Idigbe, SAN | – | Member |
| Mr. Hewett Benson | – | Member |
| Mr. A. A. Ojora | – | Member |

The committee met in accordance with the provisions of Section 404 of the Companies and Allied Matters Act, Cap C20, Laws of Federation of Nigeria 2004 and will present their report.

## 14. Shareholders Information

Build up of 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 |

### 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 ISSUES | 3,042,943,505 |
| RIGHTS ISSUES | 1,539,536,519 |
| SCHEME SHARES | 541,290,050 |
| PAID UP CAPITAL | 5,145,370,074 |

## 4. Rights Issues

| Year | Rights Issue |
|---|---|
| 1997 | 151,875,000 |
| 2003 | 170,859,375 |
| 2006 | 1,216,802,144 |
| Total Rights | 3,079,073,038 |

## 15. Auditors

The Auditor, Messers Deloitte & Touche (Chartered Accountants) was re-appointed during the year as Auditors of the Company in line with S.401(2) of CAMA CAP 20 LFN 2004. The auditors have indicated their willingness to continue in office during the year in accordance with section 357(2) of the Companies and Allied Matters Act 2004, Cap 20.

## 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, 2009. 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**

**MAZARS OJIKE & PARTNERS**
COMPANY SECRETARY
FRC/2021/002/00000022920
Lagos, Nigeria

September 23, 2021

# Statement of Directors' Responsibilities In relation to the Financial Statements

For the year ended 31 December, 2020

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 Company 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, summarise 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. Rufa'i Ahmed Mohammed**
Director
(FRC/2015/IODN/000000013008)

# Report of the Audit Committee

For the year ended 31 December, 2020

In compliance with Section 404 (7) of the Companies and Allied Matters Act C20 Laws of the Federation of Nigeria 2004, ("The Act") We, the Members of the Audit Committee have reviewed and considered the financial statements of the Company for the year ended December 31, 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 internal 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 consideration, the committee accepted the report of the auditors that the financial statements were in accordance with ethical practice and International Financial Reporting Standards (IFRS). The Committee therefore recommends that the audited financial statements for the period ended 31 December 2020 and the Auditor's report thereon be presented for adoption by the Company at the Annual General Meeting.

DATED SEPTEMBER 23, 2021

**ALHAJA AYODELE KUDAISI**
FRC/2013/IODN/00000004197
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 |

# Independent Auditor's Report

Deloitte.

To the Shareholders of Royal Exchange Plc
Report on the Audit of the Consolidated and Separate financial statements

We have audited the financial statements of Royal Exchange Plc and its subsidiaries (the Group and Company) set out on pages 53 to 178, 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).

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.

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Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## 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<br>Valuation of Insurance Contracts Loss Reserve | How the matter was addressed in the audit |
|---|---|
| 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.<br><br>As disclosed in note 26 to the financial statements, the insurance contract liabilities of the Group amounted to ₦9.79 billion [2019: ₦10.97 billion]. This represents about 39% of the Group total liabilities as at 31 December 2020.<br><br>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:<br><br>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.<br><br>In relation to the particular matters set out above, our substantive testing procedures included the following:<br><br>• Tested the completeness and accuracy of underlying claims data utilized by the company's actuaries in estimating general insurance loss reserves.<br><br>• Utilized information technology audit techniques to analyze claims through claims data plausibility checks and recalculation of claims development patterns.<br><br>• 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. |

| Key Audit Matter<br>Expected credit loss impairment on financial instruments | How the matter was addressed in the audit |
| --- | --- |
| 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. | • 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.<br><br>Performed sensitivity testing and evaluated the appropriateness of any significant adjustments made to management's general insurance reserve estimates.<br><br>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 scepticism 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 the matter that was of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the 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 diclosed in note 62, the Group paid ₦7.69milion for the contravention of regulatory requirement in the year.

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

# Consolidated Statements of Financial Postion

For the year ended 31 December, 2020

| *In thousands of Naira* | Note | Audited Group 31-Dec-20 | Audited Group 31-Dec-19 | Audited Company 31-Dec-20 | Audited 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 acqusition 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** | 24,490,415 | 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** |
| 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 Financial Statements was approved by the board of directors on 23 September 2021 and signed on its behalf by:

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

**Oluyemisi Afolabi**
Ag. Chief Financial Officer
(FRC/2012/ICAN/00000000580)

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December, 2020

| *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/(losses) | 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) | - | - |
| **Loss after taxation** | | (77,116) | (1,312,816) | (149,943) | (422,792) |
| **Loss 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 - Group

For the year ended 31 December, 2020

## Group

| In thousands of Naira | Share Capital | Share Premium | Contingency Reserve | Retained Earnings | Treasury Shares | Other components of equity: Regulatory risk reserve | Other components of equity: Actuarial Gain/ Loss Reserve | Other components of equity: Fair value reserve | Other components 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** | **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 | - | - | - | - | - | - | - | - | - | - | - | - |
| (Loss)/Profit 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** |
| Witholding 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 31st 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** |

| In thousands of Naira | Share Capital | Share Premium | Contingency Reserve | Retained Earnings | Treasury Shares | Other components of equity: Regulatory risk reserve | Other components of equity: Actuarial Gain/ Loss Reserve | Other components of equity: Fair value reserve | Other components of equity: 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 |
| Contigency 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 31st 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 - Company

For the year ended 31 December, 2020

## Company

| In thousands of Naira | Share Capital | Share Premium | Retained Earnings | Other components of equity: Actuarial Gain/Loss Reserve | Other components 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 | - | - | - | - | - | - | - | - |
| Loss 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** | **4,317,156** | - | **4,317,156** |
| Transactions within equity: | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - | - |
| **At 31st December 2020** | **2,572,685** | **2,690,936** | **(948,352)** | **1,887** | **1,887** | **4,317,156** | - | **4,317,156** |

| In thousands of Naira | Share Capital | Share Premium | Retained Earnings | Other components of equity: Actuarial Gain/Loss Reserve | Other components of equity: 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 31st December 2019** | 2,572,685 | 2,690,936 | (798,409) | 1,795 | 1,795 | 4,467,007 | - | 4,467,007 |

# Consolidated Statements of Cashflows

For the year ended 31 December, 2020

| *In thousands of Naira* | Note | 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(a) | (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) |

## Consolidated Statements of Cashflows Cont'd

For the year ended 31 December, 2020

| **Cash flows from investing activities:** *In thousands of Naira* | **Note** | **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(a) | (14,253) | - | - | - |
| Purchase of intangible assets | 18 | (1,800) | (2,165) | - | - |
| Proceed from disposal of investment properties | 15 (i ) | 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 | | 159,577 | - | 3,000 | - |
| **Net cash provided by investing activities** | | (1,473,109) | 4,908,440 | (217,285) | 6,639,964 |
| | | | | | |
| ***Cash flows from financing activities:*** | | | | | |
| 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 finace 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 flunctuations on cash and cash equivalents | | (564,263) | (486,724) | - | - |
| Net increase in cash and cash equivalent | | (490,756) | (1,575,208) | (34,507) | (153,343) |
| **Cash and cash equivalent at end of the year** | 5 | 12,779,921 | 13,834,940 | 156,823 | 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 Company 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 period 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 period 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 seperate 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 amortised cost:
- loans and receivables;
- held to collect financial instruments;
- financial liabilities at amortised 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 indivdual 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 recognised prospectively.

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

## (f) Going concern

As of 31 December 2020, a major subsidiary of the Group recorded a loss after tax of ₦478.431 million (2019: ₦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 ₦2.793 billion (2019: ₦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 Group 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 ₦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 exiting 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 processses and efficiency. Also the full digitization to drive risk based retail products. This will translate to more revenue with less cost of acquisition.

- **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

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.

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**

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

**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 recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the 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.

**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 recognise 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.

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

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

**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.

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 recognises 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 recognised 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 recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised 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 recognised 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.

## 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 recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss.

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 recognised 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-controllling 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's 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 recognised at cost, which includes transaction costs.

Subsequent to initial recognition, the Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit or loss; its share of post-acquisition movements is recognised 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 recognise 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 recognised 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.

### 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 recognised 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 recognised in OCI:

- Fair value throught other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

- Fair value throught other comprehensive income debt securities investments, in which case foreign currency differences on the fair value difference are recognised 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 amortised cost in the statement of financial position.For the purpose of the statement of cash flows, cash and cash equivalents are net of outstanding overdrafts.

Interest income on cash and cash equivalents is recorded in net interest income in profit or loss.

## (d) Financial Instruments

### (i) Measurement methods

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

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

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

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

**Initial recognition and measurement**
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised 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 recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

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

## 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
- Amortised cost.

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

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

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) Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 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 amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Net interest income' using the effective interest rate method.

**iii) Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net fair value gain/(loss) on 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 recognised 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 recognised 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 losses ('ECL') associated with its financial assets carried at amortised 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**
The 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 recognises 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 recognised 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 recognised 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 recognises 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 derecognised 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 amortised cost. The impairement loss is calculated and recognised 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 amortised 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 amortised 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.

**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 seperate items ( major components ) of property and equipment.

**Subsequent costs**
Subsequent expenditures are recognized in the carrying amount of the asset or as a seperate asset as appropriate if it is probable that the future economic benefits embodied within the part will flow to the 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.

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 of 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 licences are capitalised 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 recognised as an expense as incurred.

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

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

An intangible asset shall be derecognized by the 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 recognised.

## (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.

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 recognised 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 recognise 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 realised; these reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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.

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

**Lease assets - lessor**
If the 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 recognised and presented within loans and advances.

## (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 recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses exceed the unearned premium provision.

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

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

**Liability Adequacy Test**
At the end of each reporting period, liability adequacy tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is 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 dependants 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 guranteed 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 estabilished 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.

**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 duefor 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 lialibilities) 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.

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 recognised 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 recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in 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 recognised in profit or loss.

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

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 cummulative 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 warehouses 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 recognised 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 indenmity period, based on the patern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indenmity 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.

**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 amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the 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 recognised 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.

## 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.

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

Fees and commissions earned from providing such services are generally recognised 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 recognised 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 it's 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 period 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**
Recognised 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 realisation taking into account management's estimates of future taxable profits. In determining estmates of future taxable profit against which deductible amount can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same year that deductible amounts will reverse. 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 recognised for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deems liabilities reported as adequate.

**(iii) Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (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 recognises 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**

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 realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

**(viii) Depreciation, amortisation 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 amortisation is recognised on the basis described in accounting policies note 3(j) and 3(k).

## 5 Cash and cash equivalents

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 recognised 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 | **-** | - |

## 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)

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Listed equities | **1,162,188** | 977,317 | **21,508** | 18,508 |

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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 recognised 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 recognised during the year | **(2,612)** | 10,193 | **-** | - |
| At 31 December | **13,027** | 15,639 | **-** | - |

### (c) Amortised cost

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 subisidiaries

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 Lmimited | - | - | **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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 |

(i) The subsidiary companies comprise of the following:

| Name of Entity | Nature of business | Dec-20 | 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.

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

**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 | (244,982) | - | - | (8,233) |
| Share of (loss) on investment in associate | (877) | 12,426 | (13,303) | - | (13,303) | - | - | - | - |
| Write-back/(charge) of 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 | (476,354) | 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 |
| **(Loss)/Profit after taxation** | (77,116) | (219,861) | 142,748 | (149,943) | 793,580 | (478,432) | 3,833 | 1,630 | (27,920) |

## 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) | 13,488,501 | 156,823 | 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 | 1,381,742 | 124,408 | 1,257,340 | 774 | 1,130,784 | 109,943 | 8,147 | 4,990 | 2,702 |
| Intangible assets | 5,133 | - | 5,133 | - | - | - | 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 | 1,864,278 | (1,724,471) | 3,588,754 | 2,073,330 | 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 | 9,798,691 | - | 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 | 4,659,874 | 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 and 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 |

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

**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 |

## 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 Company Ltd. | 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 | - | - | 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 components 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 and 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 |

## 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:

| *In thousands of Naira* | Group 31-Dec-19 | Group 31-Dec-18 | Company 31-Dec-19 | Company 31-Dec-18 |
|---|---|---|---|---|
| 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 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 | **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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 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 | **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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Non-life business reinsurance share 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 | - | - |

(i) The movement in prepaid reinsurance premium 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 | **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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Fire | **544,473** | 1,007,057 | **-** | - |
| Accident | **82,691** | 92,812 | **-** | - |
| Motor | **70,066** | 66,391 | **-** | - |
| Marine and aviation | **122,263** | 97,420 | **-** | - |
| Oil and 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Reinsurance asset (actuarial valuation) | **167,489** | 260,203 | **-** | - |
| Reinsurer and facultative asset | **296,114** | 391,971 | **-** | - |
| Impairment on reinsurance assets | **(12,496)** | - | **-** | - |
| | **451,107** | 652,176 | **-** | - |

(i) Reinsurance assets (actuarial valuation)

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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.

## 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Royal Exchange Microfinance Bank Limited | **-** | - | **-** | - |
| Royal Exchange Finance Company Limited | **-** | - | **-** | - |
| 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Investment income | **146,281** | 159,268 | **-** | - |
| | **146,281** | 159,268 | **-** | - |

### (c) Other receivables

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 | **145,774** | 93,502 |

## 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 recognised 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) Dispoal during the year | | | | |
| Cost | **280,200** | - | **-** | - |
| Proceed on disposal | **(270,000)** | - | **-** | - |
| **Loss on disposal** | **10,200** | - | **-** | - |

**(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 Cresent 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 cresent,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 Ahmodu 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 |
| 12, 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 Cresent, Maitama, Abuja, FCT | Emeka Orji Partnership | Suite 9G, 9th Floor, Ahmed Talib House. (NNDC), 18/19 Ahmodu Bello Way, Kaduna | FRC/2013/ NIESV/00000000976 | A-1672 | **616,000** | 560,000 |
| | | | | | **5,635,991** | 6,040,461 |

**(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 Cresent 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 Cresent,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** |
| 12, Post office road, Kano | **422,300** | **-** | **-** | **-** | **422,300** |
| Plot 6A & 6B Usuma Cresent, 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 Cresent,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 |
| 2, Post office road, Kano | 422,300 | - | - | 10,000 | 432,300 |
| Plot 6A & 6B Usuma Cresent, 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 (₦'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 neighbourhood.<br><br>Site: The site, which is slightly irregular in shape, appears level and well drained and is relatively flat. It has a total area of approximately 2,100.88 square metres.<br><br>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%);<br>Estimated vacancy rates (2020:0%; 2019:0%)<br>Maintenance costs 10% | The estimated fair value would increase (decrease) if:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Maintenance costs were lower (higher)<br>- Capitalisation rate were lower (higher)<br>- Discount rates were lower (higher) |
| The property is a 5 bedroom detached duplex located in a high brow low density residential neighbourhood in Abuja.<br><br>Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,133.60 square metres.<br><br>Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja. | 646,050 | No. 7,Usuma Cresent 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%);<br>Estimated vacancy rates (2020:5% ; 2019:5%)<br>Maintenance costs (2020:10% of annual income; 2019: 10% of annual income)<br>Capitalisation rate (2020: 4%; 2019:3.5%)<br>Discount rate (2020: 12.5%; 2019: 10%) | The estimated fair value would increase (decrease) if:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Maintenance costs were lower (higher)<br>- Capitalisation rate were lower (higher)<br>- Discount rates were lower (higher) |

| Property description | Valuation (₦'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 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhood of Lagos.<br><br>Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,041.76 square metres.<br><br>Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi. | 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%)<br>Capitalisation rate (2020: 5%; 2019: 5%)<br>Discount rate (2020: 12.88%; 2019: 15.6%) | The estimated fair value would increase (decrease) if:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Capitalisation rates were lower (higher)<br>- Discount rates were lower (higher) |
| The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhood of Lagos.<br><br>Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,837.85 square metres.<br><br>Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi. | 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%)<br>Capitalisation rate (2020: 5%; 2019: 5%)<br>Discount rate (2020: 12.88%; 2019: 15.6%) | The estimated fair value would increase (decrease) if:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Capitalisation rates were lower (higher)<br>- 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.<br><br>Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 1,260 square metres.<br><br>Situation: Primary access to the property is vide the Ligali Ayorinde Street. | 671,920 | No. 26, Abduraman Okene cresent,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%)<br>Discount rate (2020: 3.5%; 2019: 3.5%)<br>Maintenance costs 12% | The estimated fair value would increase (decrease) if:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Capitalisation rate were lower (higher)<br>- Discount rates were lower (higher) |

| Property description | Valuation (₦'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 Garki II, Abuja which is a commercial neighbourhood.<br><br>Site: The site, which is slightly irregular in shape, appears level and well drained and is relatively flat. It has a total area of approximately 2,017.28 square metres.<br><br>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 theproperty 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:<br>- the rate of development in the area increases (decreases),<br>- quality of the building increases (decreases),<br>- 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 neighbourhood.<br><br>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.<br><br>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:<br>- the rate of development in the area increases (decreases),<br>- quality of the building increases (decreases),<br>- influx of people and/or business to the area increases (decreases). |
| The property is a fully completed building with 2 floors located in the Central Business District Kano Municipality, which is a commercial neighbourhood.<br><br>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.<br><br>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:<br>- the price per square meter increases (decreases) |

| Property description | Valuation (₦'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 5 bedroom detached duplex located in a high brow low density residential neighbourhood in Abuja.<br><br>Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,680.30 square metres.<br><br>Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja. | 616,000 | Plot 6A & 6B Usuma Cresent, 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:<br>- future rental cashflows were higher (lower)<br>- Estimated vacancy rates were lower (higer)<br>- Maintenance costs were lower (higher)<br>- Capitalisation rate were lower (higher)<br>- 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 property located at 776 Cadastral Zone A00, Central business area, Abuja. Accordingly, this property is presented as a non current assets 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 ₦1.056billion, higher than the carrying amount of ₦973.639 million, hence there were no changes to its carrying amount. There are no gains or losses recognised 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 and 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** | | | | | | |
| 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 capitalised 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).

## (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 | - | 774 |
| At 31 December 2019 | - | 392 | 941 | 2,056 | 3,390 |

(i) There were no capitalised 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

#### Right of use asset - Leased rent

| *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 amortisation on long term leases | (19,928) | (29,871) |
| At 31 December | 10,089 | 15,764 |
| **Total Carrying Amount** | 10,089 | 15,764 |
| | | |
| **Amounts recognised in profit or loss** | | |
| Right of use asset- rent prepayment | 19,928 | 29,871 |
| **At 31 December, 2020** | 91,400 | 118,527 |

### (b) Company

#### Right of use asset- Motor vehicle

| *In thousands of Naira* | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| **Cost** | | |
| At 1 January | 44,963 | 29,914 |
| Additions | - | 15,049 |
| At 31 December | 44,963 | 44,963 |
| | | |
| **Accumulated Depreciation** | | |
| 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 amortisation:** | | | | |
| 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 | **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:

| *In thousands of Naira* | 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:

| | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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) |

## 19.1 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:

| *In thousands of Naira* | 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) |

**(b)** Company's obligations for:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| - 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| - 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) Gain/ (loss) 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 recognised in the statement of financial position are determined as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 recognised in the profit or loss are as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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)(ii)) | **59,471** | (71,665) | **-** | - |
| At 31 December | **81,247** | (46,275) | **-** | - |

iv The amounts recognised in other comprehensive income are as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Actuarial (gains)/ losses-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 (₦'000) | |
| Discount rate | **0.50%** | **-0.50%** | **225,263** | **241,085** |

| | 31-Dec-19 | | | |
|---|---|---|---|---|
| | Change in assumption | | Impact on liability including change (₦'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 |
| | **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 |

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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 recognised in other comprehensive income are as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 (₦'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 (₦'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.

| | 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 | **-** | - |

## 21 Deferred taxation

### Group

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

***For the period ended 31 December 2020***

| *In thousands of Naira* | Note | At 1 January | Recognised 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) |

***For the period ended 31 December 2019***

| *In thousands of Naira* | Note | At 1 January | Recognised 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) |
| **Net deferred tax assets/(liabilities)** | | (202,909) | (193,373) | (396,282) |

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

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

**(a) Unrecognised deferred tax assets**

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

The 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 recognised in these financial statements.

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

## 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| At 1 January | **16,178** | 40,553 | - | - |
| Additions during the year | **8,004** | - | - | - |
| Amortised 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Fire | **23,103** | 24,247 | **-** | - |
| Accident | **10,701** | 8,052 | **-** | - |
| Motor | **6,651** | 5,384 | **-** | - |
| Marine and aviation | **26,316** | 12,546 | **-** | - |
| Oil and gas | **27,910** | 23,035 | **-** | - |
| Engineering | **18,940** | 19,697 | **-** | - |
| Bond | **13** | 193 | **-** | - |
| Agric | **429** | - | **-** | - |
| | **114,062** | 93,154 | **-** | - |

## 23 Trade payables

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 | **-** | - |
| | **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.

## 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

| *In thousands of Naira* | 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 Micorfinance Bank | - | - | - | - |
| | - | - | 638,678 | 59,789 |

### (b) Analysis of other liabilities is as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Defferred 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 Laibility | 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 ₦2million as deposit payable over 90 days. It is carried at amortised 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 ₦1million are accepted, payable over 90 days. It is carried at amortised cost.

## 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 summarised 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 and 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** | 4,591,292 | **-** | - |

(ii) Unexpired risk is summarised by type below:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Fire | **253,789** | 262,880 | **-** | - |
| Accident | **160,107** | 83,210 | **-** | - |
| Motor | **408,371** | 425,544 | **-** | - |
| Marine and aviation | **263,316** | 156,365 | **-** | - |
| Oil and 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 and 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 | **-** | - |

(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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Claims outstanding 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 summarised 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 | **-** | - |

### (ii) Outstanding claims - individual 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 | **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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 December | **386,088** | 412,545 | **-** | - |

## 27 Investment contract liabilities

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Deposit administered funds | 109,006 | 111,450 | - | - |
| Investment managed funds | 167,974 | 154,071 | - | - |
| | 276,980 | 265,521 | - | - |

### (a) Deposit administered funds

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 ₦109million (2019: ₦111 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 | - | - |

## 28 Taxation

### (a) Charge for the year

*Recognised 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

| *In thousands of Naira* | 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 |
| Repayment | **(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)**

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 ₦1,999,308.00 represents the carrying amount of a ₦2,000,000,000 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 ₦27,681.00 represents the carrying amount of a ₦50,300,000 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 represent 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.

**(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 |
| Repayment | **-** | - | **(21,731)** | (60,633) |
| At 31 December | **-** | - | **16,833** | 31,467 |

## 30 Share capital and premium

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Share capital comprises | | | | |
| Authorized share capital | | | | |
| 10,000,000,000 ordinary share of 50k each | **5,000,000** | 5,000,000 | **5,000,000** | 5,000,000 |
| Issued share capital | | | | |
| 5,145,370,074 ordinary share of 50k each | **2,572,685** | 2,572,685 | **2,572,685** | 2,572,685 |

## 31 Share premium

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| As at year end | **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, where as, 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 ₦228million cash dividend. The ordinary shares have a market value of ₦500 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 Components 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 transfered to regulatory risk reserve.

### (a) Actuarial losses gains 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 cummulative net change in the fair value through other comprehensive income (OCI) financial assets at the reporting date.

### (c ) Regulatory risk reserve

Regulatory risk reserves represents 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.

### (d) Non-controlling interest (NCI)

For analysis of movement in NCI, see the 'Statement of Changes in Equity.

| | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
|---|---|---|
| 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 summarised financial information for the subsidiary- Royal Exchange General Insurance Company Limited (REGIC) that has non-controlling interests that are material to the group.

| **Summarised statement of Profit or loss and other comprehensive income** | Royal Exchange General Insurance Company Limited | |
|---|---|---|
| *In thousands of Naira* | 31-Dec-20 ₦'000 | 31-Dec-19 ₦'000 |
| 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 interests | **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** | - |
| | | |
| **Summarised 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

| *In thousands of Naira* | 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 | **-** | - |

## 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Insurance claims and benefits incurred on non-life busines (see note 38(i) below) | **1,289,168** | 1,668,575 | - | - |
| Insurance claims and benefits incurred on life businesn(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 busines:

| *In thousands of Naira* | 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 busines:

| *In thousands of Naira* | 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:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Short-term insurance contract | **123,898** | 156,923 | - | - |
| | **123,898** | 156,923 | - | - |

## 39 Insurance claims and benefits incurred - recoverable from reinsurers

| *In thousands of Naira* | 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 busines (see note 39(i) below) | **599,636** | 554,305 | **-** | - |
| Insurance claims and benefits incurred-recoverable on life busines (see note 39(ii) below) | **104,531** | 329,761 | **-** | - |
| | **704,167** | 884,066 | **-** | - |

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

| *In thousands of Naira* | 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 | | |
| | **599,636** | 554,305 | **-** | - |

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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Short term insurance contract | **104,531** | 326,019 | **-** | - |
| | | | | |
| Decrease/Increase in short term insurance contract liabilities | **(462,513)** | 568,052 | **-** | - |
| Increase/(decrease) 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 | **-** | - |
| Accomodation costs | **58,569** | 51,013 | **-** | - |
| Communication costs | **99,187** | 400,819 | **-** | - |
| Business and Administration expenses | **927,796** | 862,918 | **-** | - |
| Acquisition costs: Life | **268,054** | 305,671 | **-** | - |
| Acquisition costs: Healthcare | **17,002** | 37,451 | **-** | - |
| Salaries and 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

| *In thousands of Naira* | 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 obligations | **-** | (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 year end is as follows:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| | Net investment income | Net investment income | Net investment income | Net investment income |
| Dividend from Investment securities | **-** | - | **1,003** | - |
| *At fair value through profit/loss | **181,051** | 26,753 | **-** | 810 |
| Dividend from Investment in subsidiaires | **-** | - | **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 |

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

| | Changes in fair value | | | |
|---|---|---|---|---|
| *In thousands of Naira* | Group 31-Dec-19 | Group 31-Dec-18 | Company 31-Dec-19 | Company 31-Dec-18 |
| 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

| *In thousands of Naira* | 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Cash and 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

| *In thousands of Naira* | 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** | | | | |
| 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 |
| Insurace 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/(losses)

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

## 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 | 55,741 | 70,864 | 3,016 | 9,262 |
| Depreciation on Right of use (Motor Vehicle) | 71,470 | 88,656 | 9,994 | 10,300 |
| Depreciation on Right of use (Rent Repayment) | 19,928 | 29,871 | - | - |
| Promotional and advert expenes | 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 | 91,693 | 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 concerns entertainmemnt and representation, board meetimg expenses and expenses incurred for the day to day running of the Group during the period.

## 48 Earnings per share

| *In thousands of Naira* | 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) | **(149,943)** | (422,792) |

| *Unit in thousands* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 Increase/(decrease) 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 recognised in OCI | **(74,038)** | (37,682) | **92** | (759) |
| Total changes recognised in statement of cashflows | **(33,474)** | (37,731) | **330** | 147 |

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

| *In thousands of Naira* | 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 recognised in profit or loss | 50,253 | 7,771 | | - |
| Impairment recognised in profit or loss | (77,485) | (131,574) | (44,308) | (74,934) |
| **Total changes recognised in statement of cash flows** | 171,143 | 259,692 | 126,357 | (9,307) |

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

| *In thousands of Naira* | 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 recognised in statement of cash flows | 278,892 | 631,654 | - | - |

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

| *In thousands of Naira* | 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 recognised in profit or loss | - | - | - | - |
| Total changes recognised in statement of cash flows | 692,317 | 287,203 | - | - |

### (v) Changes in financial assets

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 2020** | 2,466,691 | (593,367) | (850) | (19,975) |

### (vi) Changes in provision for outstanding claims:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 anuuity | **(1,195,094)** | | | |
| **Total changes recognised in statement of cash flows** | **(1,434,541)** | 184,576 | **-** | - |

### (vii) Changes in unearned premium:

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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 recognised in statement of cash flows** | **264,199** | (233,554) | **-** | - |

### (viii) Changes in 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 |
|---|---|---|---|---|
| Net changes in loans and advances to customers | **(137,540)** | (5,706) | **-** | - |
| Interest income | **225,143** | 199,415 | **-** | - |
| Interest income received | **-** | - | **-** | - |
| Impairment allowance recognised in profit or loss | **(8,280)** | (1,032) | **-** | - |
| **Total changes recognised in statement of cash flows** | **79,323** | 192,677 | **-** | - |

### (ix) Changes in advances under finance lease

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Net changes in advances under finance lease | **129,370** | (50,963) | **-** | - |
| Interest income | **-** | 83,332 | **-** | - |
| **Total changes recognised in statement of cash flows** | **129,370** | 32,369 | **-** | - |

### (x) Changes in depositors fund

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| Net changes in depositors fund | (419,930) | 216,670 | - | - |
| **Total changes recognised 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 optimisation of the equity balance.

The capital structure of the group consist 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 ₦3billion and ₦2billion for Non-life and Life businesses respectively. Also, the regulatory capital for unit microfinance bank is ₦20million, 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 ₦3billion, 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 income | 4,288,656 | 701,340 |
| - Amortised 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 |
| Employees benefits obligations | 26,893 | 24,750 |
| Current income tax liabilities | 388,492 | 293,033 |
| **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 ₦5,489,746.000 (2019: ₦6,120,241,000) is above the minimum paid up capital of ₦3,000,000,000 (2019: ₦3,000,000,000) 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 ₦2 billion prescribed by the Insurance Act of Nigeria. In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via both capital raising and sale of some of the Company's investment properties.

The 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.

**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**<br>**31-Dec-20**<br>*In thousands of Naira* | | **Level 1** | **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** |
| **31-Dec-19** | | | | | |
| **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<br>31-Dec-20<br>*In thousands of Naira* | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **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 |
| **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 |

**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 consists of cash on hand and current balances with banks.

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

**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 December 2020

| *In thousands of Naira* | Pounds sterling | Euro | US Dollars | Total |
|---|---|---|---|---|
| Assets (Cash and 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 December 2019

| *In thousands of Naira* | Pounds sterling | Euro | US Dollars | Total |
|---|---|---|---|---|
| Assets (Cash and 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 December 2020

| *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 realises the impact of the foreign exchange results for tax.

31 December 2019

| *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:

| **Group**<br>**Financial instruments**<br>*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<br>Financial instruments<br>*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 ₦2.3billion (2019: ₦2.4billion). The impact on interest sensitivity information below is 0.5% of ₦2.4billion, which is ₦12million (2019: ₦12million).

**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<br>31-Dec-20 | Group<br>31-Dec-19 | Company<br>31-Dec-20 | Company<br>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 realises 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 share 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.

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

| | Notes | Group<br>31-Dec-20<br>₦'000 | Group<br>31-Dec-19<br>₦'000 | Company<br>31-Dec-20<br>₦'000 | Company<br>31-Dec-19<br>₦'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 ₦'000 | Group 31-Dec-19 ₦'000 | Company 31-Dec-20 ₦'000 | Company 31-Dec-19 ₦'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 | **(54,616)** | (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

**a Expected credit loss measurement**

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the 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 summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

| Change in credit quality since initial recognition | | |
|---|---|---|
| **Stage 1** | **Stage 2** | **Stage 3** |
| (Initial recognition) | (Significant increase in credit risk since intial 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.

***ii 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 behaviour – e.g. utilisation 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 | · Utilisation 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 |

**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.

**iv 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.

**v Definition of default**

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

**Quantitaive 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 lossess.

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 amortising 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 utilisation 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 analysed 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.

**(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 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'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 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'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** |

| | Mortgage loans | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | 2019 |
| ECL staging | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'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** |

### Group

| | Loans and Advances under Finance Lease | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | 2019 |
| ECL staging | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'000 |
| **Credit grade** | | | | | | |
| Investment 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 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'000 |
| **Credit grade** | | | | | | |
| Investment grade | - | - | - | - | - | - |
| Speculative grade | 1,096 | - | - | - | 1,096 | 4,972 |
| **Gross carrying amount** | **1,096** | **-** | **-** | **-** | **1,096** | **4,972** |
| Loss allowance | - | - | - | - | - | (26) |
| **Carrying amount** | **1,096** | **-** | **-** | **-** | **1,096** | **4,946** |

| | Short term deposits (Fixed deposits) | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | 2019 |
| ECL staging | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'000 | Total ₦'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 |
|---|---|
| **Trading assets** | |
| • Debt Securities | |
| **Financial assets designated at fair value** | |
| • Debt securities | |

**Investment securities**
The Group holds investment securities measured at amortised cost with a carrying amount of ₦108,954,000. The investment securities held by the Group are fixed deposit and treasury bills which are not collateralised.

**Loss allowance**
The loss allowance recognised 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 recognised during the period, as well as releases for financial instruments de-recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions;

- 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 derecognised 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 ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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 ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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** |

| Loans and Advances under Finance Lease | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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.

| Investment securities | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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** |

| Short-term deposits (Fixed Deposits) | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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 ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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** |

## Company

| Investment securities | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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 | - | - | - | - | - |
| 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** | **-** | **-** | **-** | **-** | **-** |
| **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** | **-** | **-** | **-** | **-** | **-** |

| Short-term deposits (Fixed deposit) | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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.

| Investment securities | Stage 1 12-month ECL ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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 derecognised 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 ₦'000 | Stage 2 Lifetime ECL ₦'000 | Stage 3 Lifetime ECL ₦'000 | Purchased credit-impaired ₦'000 | Total ₦'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 maximising recovery.

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

### 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 |

## 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

**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) |

### 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(c) | 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 assets/insurance assets** | | | | | | | | |
| 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 |

## 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) |

### 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 | 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 assets/insurance assets** | | | | | | | | |
| 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) |

## 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 profit or loss | 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 profit or loss | 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 profit or loss | 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 |

**31-Dec-19**

| *In Thousands of Naira* | Amortized Cost | Designated at fair value profit or loss | 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 advancees 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 organisations 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 summarised 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 summarised 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 |

| *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 |
| **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 |

| *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 |
| **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 method 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 goruped 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.

#### 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 Nigera | **-** | - | **-** | - | **-** | - |
| | **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 Nigera | **-** | - | **-** | - | **-** | - |
| | **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: ₦3,726; 2019: ₦3,726) | **(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: ₦3,754; 2019: ₦3,754) | **(480,108)** | (376,602) | **1,462,819** | 1,865,085 |
| 1% increase in interest rates | | | | |
| Gross (2020: Nil; 2019: Nil) | | | | |
| Net (2020: ₦3,622; 2019: ₦3,622) | **(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.

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 (₦) | | | | |
|---|---|---|---|---|---|
| | Development year | | | | |
| **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 Credit finance - consists Royal Exchange Finance Company Limited is the only subsidiary in the credit financing segment.

Reference is made to note 9 for the required quantitative disclosures under IFRS 8

### (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-20 | 31-Dec-19 | 31-Dec-20 | 31-Dec-19 |
| 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 Life Limited | 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) |

The Group considered the outstanding balances at the reporting date are unsecured and non-interest bearing. The settlements will involve physical delivery of cash.

## 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

| *In Thousands of Naira* | Group 31-Dec-20 ₦'000 | Group 31-Dec-19 ₦'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* | Group 31-Dec-20 ₦'000 | Group 31-Dec-19 ₦'000 |
|---|---|---|
| Legal proceedings | **11,672** | 11,672 |
| | **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 it's 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.

## 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 mangement. The summary of compensation of key manangement 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 | **3,673** | 14,563 |
| Sitting allowance | **889** | 6,778 | **889** | 6,778 |
| Other allowances | **17,230** | 74,704 | **17,230** | 74,704 |
| | **21,792** | 96,045 | **21,792** | 96,045 |
| Executive Directors: | | | | |
| 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 | **40,001** | 86,645 |
| | **41,869** | 98,180 | **41,869** | 98,180 |
| The highest paid director | **20,077** | 16,728 | **20,077** | 16,728 |

(ii) Number of directors (excluding the chairman) within the following emolument range

| ₦ | | | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|---|---|
| 400,000 | - | 500,000 | **-** | - | **-** | - |
| 500,00 | - | 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:

| *In thousands of Naira* | 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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

| *In thousands of Naira* | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|
| 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:

| ₦ | | | Group 31-Dec-20 | Group 31-Dec-19 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|---|---|---|---|---|---|
| Below 400,000 | | | **-** | - | **-** | - |
| 400,001 | - | 500,000 | **16** | - | **-** | - |
| 500,000 | - | 600,001 | **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 | **-** | - |
| 9,000,001 | - | 10,000,000 | **2** | 2 | **-** | 1 |
| 10,000,001 | - | 12,000,000 | **11** | 4 | **1** | 2 |
| 12,000,0001 | - | 20,000,000 | **12** | 4 | **-** | 1 |
| 20,000,001 | - | 30,000,000 | **5** | 1 | **1** | 1 |
| | | | **324** | 288 | **16** | 10 |

## 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 ₦'000** | **31-Dec-19 ₦'000** |
| Royal Exchange Plc | SEC | Penalty for late rendition and disclosures of Tustee 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 Components of the Group** | | | | |
| Royal Exchange Prudential Life Plc. | | Late rendition of AML/ CFT training plan for year 2020 | **1,000** | 250 |
| | | Appointment of Executive Director - Techinical 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

| *In thousands of Naira* | Group 2020 ₦'000 | % | Group 2019 ₦'000 | % | Company 2020 ₦'000 | % | Company 2019 ₦'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: | | | | | | | | |
| Deffered 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 |

# Other National Disclosures

# Financial Summary - 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 | **12,807,056** | 13,834,940 | 15,896,872 | 12,505,923 | 11,105,440 |
| Loans and advances to customers | **1,044,098** | 906,558 | 900,852 | 1,173,612 | 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 | 5,642,807 | 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 | 800,430 | 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 | **1,381,742** | 1,437,131 | 1,468,405 | 2,136,567 | 2,283,270 |
| Right of Use Asset | **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 | 367,386 | 365,065 |
| Assets classified as held for sale | **973,639** | 973,639 | 973,639 | 973,639 | 973,639 |
| Total assets | **32,373,917** | 32,107,005 | 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 | 1,608,666 | 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 | 636,230 | 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** | **24,838,776** | 24,490,415 | 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 components 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** | **32,373,917** | 32,107,005 | 35,593,934 | 33,353,880 | 31,676,729 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | | | | |
| Gross premium | **15,292,757** | 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 |
| (Loss)/Profit 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)/Profit after taxation | **(77,116)** | (1,312,816) | (159,868) | (969,643) | (980,252) |
| loss/Earnings per share (kobo) | **(8)** | (26) | (3) | (19) | (19) |

# Other National Disclosures

# Financial Summary - 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 | **9,240** | 21,849 | 28,770 | 91,736 | 90,195 |
| 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 | 667,778 | 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 | 9,956,667 | 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 components 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** | | | | | |
| 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) |

# Management Group and Subsidiaries

## EXECUTIVE GROUP

### Royal Exchange Plc

**Group Managing Director**
Mr. Olawale Banmore
BSc, MMP, ACII

**Finance & Accounts**
Mr. Onyenaturuchi Ezikpe

**Enterprise Risk Management**
Mr. 'Biyi Elliot

**Information Technology**
Mr. Jide Adams
BSc, MBA, PGD, CISA, CISM, CRISC, FIIM

**Audit and Investigation**
Mr. Monday Obodo

**Legal and Company Secretariat Services**
Mazars Ojike & Partners

## EXECUTIVE (SUBSIDIARIES)

### Royal Exchange General Insurance Company Limited

**Managing Director**
Mr. Benjamin Agili, MIoD
HND, MBA, FCII, FIIN

**Executive Director (Technical Operations)**
Mrs. Jane Ekomwereren
B.A., PGD, ACII

**General Counsel/Company Secretary**
Ms. S. I. Ezeuko
B.Ed., LLB, BL, ACIARB, PGD INSURANCE LAW, PGCL CORPORATE & COMMERCIAL LAW

**Chief Financial Officer**
Ms. Toyin Azeez

**Head, Human Resources**
Mr. Tudor Osademe
Bsc, MBA

**Chief Digital and Information Officer**
Mr. John Agbai
M.Sc, B.Eng

**Chief Investment Officer**
Mr. Kola Yakub
BSc, MSc, ACA, CIIA, FCA

## EXECUTIVE (SUBSIDIARIES)

### Royal Exchange Finance Company Limited

**Managing Director**
Mrs. Irene Opara
MBA, HND, CPIN

### Royal Exchange Healthcare Limited

**Head, Medical Operations**
Dr. Njideka Ken Njoku

### Royal Exchange Microfinance Bank Limited

**Acting Managing Director**
Mr. Sunday Adunola
BSc, MCIB

### Royal Exchange Prudential Life Plc

**Executive Director (Technical)**
Mr. Nelson Akerele
HND, MSc, ACII, ACIIN, FIDMN

# Royal Exchange General

**Mr. Benjamin Agili**
Managing Director,
Royal Exchange General Insurance

Royal Exchange General Insurance Company Limited, a subsidiary of Royal Exchange Plc, licensed by the National Insurance Commission to offer the full range of general and special risks insurance products. With over 90 years in the Nigerian market, Royal Exchange General Insurance has an enviable reputation for reliability, integrity, professionalism, technical competence and financial strength.

The Company operates from fifteen (15) branches country wide to ensure maximum outreach and complete accessibility to its customer base. The recent implementation of a web-enabled backbone IT system will further enhance its ability to provide incomparable service. The Company's capacity to underwrite oil and gas risks is widely acknowledged throughout the industry and its oil and gas treaty is widely recognized to be one of the best in the market.

With its unwavering dedication to its core values, the Company continues to maintain its lead on many of the major corporate risks in Nigeria.

# Royal Exchange Prudential Life

Royal Exchange Prudential Life Plc is a wholly owned subsidiary of Royal Exchange Plc and is licensed to underwrite life insurance and related risks. Following the re-organization of the erstwhile Royal Exchange Assurance (Nigeria) Plc into a group holding company in June 2008, Royal Exchange Prudential Life Plc emerged as the subsidiary providing a variety of life and investment linked savings products to cater for individual and corporate needs.

Royal Exchange Prudential Life has pioneered the use of a GSM based electronic platform which enables some of our products to be purchased and activated via scratch cards. This platform, which is user friendly, has also aided the accessibility of our products to all branches, friendship centers and other outlets nationwide.

At the corporate level, we are also at the forefront of providing cover under Compulsory Group Life Schemes for employees of both private and public sectors of the economy as required by the Pension Reform Act, 2004. We presently enjoy the partnership and collaboration of brokers and related organizations in providing quality services to the insuring public, in line with professional best practices.

# Royal Exchange Healthcare

**Dr. Emenike Onwutalu**
Managing Director,
Royal Exchange Healthcare Limited

Royal Exchange Healthcare Limited is a nationwide accredited NHIS health maintenance organization, providing financial intermediation within the health industry. We therefore act as a fulcrum between the enrollees and the healthcare providers selected purely on the quality of their services.

Royal Exchange Healthcare Limited's primary function is the design of medical health plans that are both flexible and accommodating. Our provider network is spread across the country and through rigorous continuous quality auditing, we strive to ensure the highest possible standards in medical services to our clients.

We utilize the principle of risk pooling and managed care in controlling and hedging risks associated with our business.

In performing these functions, the risk bearing responsibility and its innovative management have been the distinguishing factor of the Royal Exchange Healthcare brand in the health insurance industry.

Royal Exchange Healthcare Limited will, in the long term, create a one-stop health solution for its customers.

# Royal Exchange Finance

**Mrs. Irene Opara**
Managing Director,
Royal Exchange Finance Company Limited

Royal Exchange Finance Company Limited (previously called Royal Exchange Finance & Investment Ltd) was incorporated as a wholly-owned subsidiary of Royal Exchange Plc in October 2004 and licensed in April 2005 by Central Bank of Nigeria to provide a wide range of professional services in the areas of credit-finance, funds mobilization and financial advisory services. The Company is also licensed by Securities and Exchange Commission to provide portfolio and fund management services.

We adopt a customer-centric approach to fill the service delivery gaps evident in Nigeria financial sector in the area of financing businesses, especially small and medium scale enterprises. We are also excellent team players.

Royal Exchange Finance Company Limited recognizes the indispensability of technology to straight-through processing and rapid turnaround times. We are at the verge of upgrading our system to a more advanced multi-functional financial software package to execute large-scale business transactions without hitches.

The technical expertise of Royal Exchange Finance Company Limited is reflected in our creative approach to financing engagements. Our in-depth transaction knowledge and customer-centric approach allow us develop mutually beneficial long-term relationship with our clients. Our variety of personalized products meets specific needs. These products include:

- High Yield Investment Paper (HYIP)
- Royal Investment Note (RIN)
- Investment Plan (I-Plan)
- Leasing
- Loans
- Mortgage Financing
- Project and L.P.O Financing
- Financial Advisory Services

# Royal Exchange Microfinance Bank

**Mr. Sunday Adunola**
Acting Managing Director,
Royal Exchange Microfinance Bank Limited

Royal Exchange Microfinance Bank Limited is a wholly owned subsidiary of Royal Exchange Plc, licensed by the Central Bank of Nigeria on October 15, 2009 to provide comprehensive micro financial services to the unbanked and under banked in urban, semi-urban and rural areas of Nigeria. We commenced business on October 19, 2009.

In line with the vision of Royal Exchange Plc to be a one-stop financial service shop and with its passion to alleviate poverty, Royal Exchange Microfinance Bank was set up to provide micro finance services to improve the lives of the common people, alleviating poverty and building a better society. Our focus is on micro, small, medium and retail markets, leveraging on state of the art technology to deliver superior and quality services.

The bank is in the process of converting to a State Microfinance Bank. Royal Exchange Microfinance Bank offers a broad range of products and services, most of which are unique and tailored to meet the needs of our diverse clientele.

The bank offers the following products:

Savings Products:

- Royal Target Micro Savings (ROTMIS) Account
- Royal Ordinary Micro Savings (ROMIS) Account
- Royal Mandatory Savings (REMAS) Account
- Current Account (ROCA)
- Fixed Deposit (ROFID) Account

Loan Products:

- Trade Group Loan (Royal Ordinary Microcredit - ROMIC)
- Working Capital Loan (Royal Flexible Credit - ReFlex)
- Personal loan for salary earners (Royal Bail Me Microcredit)
- Asset acquisition finance
- LPO financing (Royal Real Microcredit - REMIC)

The corporate head office of Royal Exchange Microfinance Bank is located at 34/36 Apapa-Oshodi Expressway, Oshodi.

# Branch/Office Network

**Head Office**
New Africa House, 31, Marina,
P.O. Box 112, Lagos, Nigeria.
Email: info@royalexchangeplc.com
Website: www.royalexchangeplc.com
Tel: 01-460-6690 to 01-460-6699

**Control Office**
Plot 34/36, Apapa/Oshodi Expressway,
Charity Bus-stop, Oshodi,
P.M.B. 1804, Ikeja, Lagos.
Tel: 01-4606690 to 01-4606699 and
0708-060-6100

**Group Retail Office**
Mosesola House, 3rd Floor,
103/7, Allen Avenue,
Opposite Alade Market, Ikeja,
Tel: 01-212-1826, 0708-621-0141,
01-295-5662

**Aba**
No. 83, Azikwe Road,
Aba (Second Floor)
Abia State
Tel: 0803-776-3428, 0803-390-
5798

**Abuja**
26, Mahatman Ghandi Crescent,
Area 11,
Garki, Abuja.
Tel: 0803-590-0354,
0803-661-3580

**Asaba**
14, Dennis Osadebey Way,
Asaba, Delta State.
Tel: 0803-673-2911

**Benin**
Unity Bank Building
No. 98 New Lagos Road 113,
New Lagos Road,
Benin City
Edo State
Tel: 0806-081-4253

**Enugu**
Canute House, 19/25 Ogui Road,
Enugu State.
Tel: 04-229-108, 0802-313-3497

**Ibadan**
Old Sketch Building, First Floor,
Cocoa House Complex,
Dugbe, Ibadan,
Tel: 0809-468-6750, 0814-999-3555

**Ikeja**
Mosesola House, 3rd Floor,
103/7 Allen Avenue,
Opposite Alade Market, Ikeja,
P.O.Box 1803, Ikeja.
Tel: 01-897-3858, 0803-320-8701

**Kaduna**
2, Muritala Mohammed Square/
Independence Way,
P.O. Box 261, Kaduna.
Tel: 0803-506-3925, 0811-306-5136

**Kano**
2B, Post Office Road, Kano.
P.O.Box 301, Kano
Tel: 0803-629-9576, 0802-354-3139

**Lagos Main Branch (Marina)**
New African House,
31, Marina, Lagos.
P.O.Box 112, Lagos
Tel:01-4181750, 0805-526-6886,
0810-536-6664

**Port Harcourt**
42, Evo Road, GRA Phase II,
Port Harcourt
Tel: 0803-310-5143

**Warri**
Ogun House, 107,
Effurun/Sapele Road,
Opp. Stanbic IBTC Bank,
Effurun, Delta State.
Tel: 0806-715-865

# Friendship Centre Network

## Royal Exchange Group Retail Friendship Centres

| S/N | Name of Mega Agents | Location | Telephone No. |
|---|---|---|---|
| 1 | Alaba Int'l Market | 123 Olojo Drive,<br>Ojo Alaba,<br>Lagos. | 08029314777 |
| 2 | Ibadan | Old Sketch Building, First Floor,<br>Cocoa House Complex,<br>Dugbe, Ibadan. | 08155538272 |

## Royal Exchange Prudential Retail sales outlets

| S/N | Location | Address | Telephone No. |
|---|---|---|---|
| 1 | Ikeja | Group Retail Office 103, Allen Avenue,3rd Floor,<br>Mosesola House, Opposite Old Alade Market. | 08033161410 |
| 2 | Aba | 83,Azikiwe Road, By Asa Road,Opposite UBA, Aba. | 08184905844 |
| 3 | Abuja | Suite G12, Febson Mall, Wuse Zone 4. | 08037836308 |
| 4 | Akure | Old National Building.34 Oyemekun Road. | 08069630573 |
| 5 | Apapa | BOS Plaza, No 1, Ire-Akari Estate Road,<br>Ire-Akari Junction, Isolo | 08025952430 |
| 6 | Asaba | 14,Dennis Osadebe Way. | 08065368210 |
| 7 | Auchi | Opposite Ekhei Girls Grammer School. | 09090808066 |
| 8 | Benin-City | 2nd Floor Unity Bank Building, New Lagos Road. | 08062521767 |
| 9 | Enugu | Canute House,19/25 Ogui Road. | 08063497754 |
| 10 | Ibadan | Old Sketch Building(First Floor),<br>Cocoa House Complex,Dugbe. | 08034707718 |
| 11 | Ikorodu | 13, Olorunjuwon Street, By Zenith Bank B/S,<br>Off Lagos Road. | 08062620000 |
| 12 | Ilorin | 144 Ibrahim Taiwo Road, Opposite Stadium | 08187145155 |
| 13 | Jos | 1B, Richard Road, Muritala Mohammed Way. | 08069694488 |
| 14 | Kaduna | 2 Asaa Investment House, Muritala Mohammed Square,<br>Independence Way. | 07067209263 |
| 15 | Oshodi | Operations Office, 34/36 Apapa Expressway. | 08034234666 |
| 16 | Port Harcourt | 42,Evo Road,GRA Phase II. | 08036642606 |
| 17 | Uyo | No. 63 Aka Road, Uyo | 08066931655 |
| 18 | Warri | Ogun House, 107,Effurun/Sapele Road,Effurun. | 08036268899 |

# Corporate Events


# Corporate Events


# Notes

# Notes


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# Buy your Insurance on-the-go

## HOW TO USE

### INTERNET BANKING/ MOBILE APP

- Log on to GTBank Internet Banking platform/Mobile App
- Click on Payments & Collections, select Insurance & HMO then select Royal Exchange as your merchant
- Select any of the under-listed insurance services:
  - Third Party Insurance (Motor, Bus, Motorcycle)
  - Comprehensive Vehicle Insurance
  - Professional Indemnity Insurance
  - Home Insurance
  - Crop Insurance
  - Livestock Insurance

### USSD CHANNEL

Dial on phone
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BUY INSURANCE (BILLERCODE)

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2.Third Party Bus
*737*50*7500*420#
3.Third Party Commercial Trucks
*737*50*25000*423#
4.Third Party Keke
*737*50*1,500*422#
5.Third Party Motorcycle
*737*50*1500*421#

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