

HEIRS LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
TABLE OF CONTENTS

	Page
Corporate information	3
Directors' report	4
Corporate governance report	8
Statement of directors' responsibilities	13
Statement of directors' corporate responsibilities	14
Audit committee report	15
Certification by company secretary	16
Independent auditor's report	17
Statement of significant accounting policies	21
Statement of financial position	38
Statement of profit or loss and other comprehensive income	39
Statement of changes in equity	40
Statement of cash flows	41
Notes to the financial statements	42
Value added statement	73

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE INFORMATION

Company Registration Number
RC 1561351

Directors

Dan Okeke
Niyi Onifade
Wasiu Amao
Maryam Sani
Emmanuel Nnorom
Adesimbo Ukiri
Adaobi Nwakuiche
Muhammad Bello Umar
Suleyman A. Ndanusa

Chairman
Managing Director / Chief Executive Officer
Executive Director - Technical
Independent Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Registered office

107B Ajose Adeogun Street
Victoria Island
Lagos, Nigeria

Independent auditor

PricewaterhouseCoopers
Landmark Towers,
5B Water Corporation Road, Victoria Island,
Lagos
Tel: +234 1 271 1700
www.pwc.com/ng

Actuaries

Zamara Ltd
4th Floor, Ibukun House,
70 Adetokunbo Ademola Street
Victoria Island
Lagos, Nigeria
FRC No. FRC/2021/004/00000024023

Company secretary

Stanley Chikwendu
107B Ajose Adeogun Street
Victoria Island
Lagos, Nigeria

Bankers

United Bank for Africa Plc
Providus Bank Ltd
Fidelity Bank
Union Bank Plc
Nova Merchant Bank

Tax Consultant

Ijewere and Co.

**HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
DIRECTORS' REPORT**

The Directors present their report on the affairs of Heirs Life Assurance Limited ("the Company"), together with the audited financial statements and Auditors report for the thirteen months period ended 31 December 2021.

Incorporation and address

The Company was incorporated on 13th day of February, 2019 with registration number - RC 1561351 while operational licence with registration number 094 was issued by NAICOM on 25th day of November, 2020. The Company commenced operations thereafter.

The address of its registered/operational office is:

107B AJose Adeogun Street
Victoria Island
Lagos, Nigeria

Principal Activities

The company is a specialist life insurer that was incorporated to provide financial, family and future securities to individuals and businesses.

Results and dividend

The company's results for the thirteen months period ended 31 December 2021 are set out in statement of profit or loss and other comprehensive income. The loss for the Period has been transferred to retained earnings, as such, no dividend has been recommended. The summarised results are presented below.

	13 Months to'31 December N'000 2021
Gross Written Premium	2,699,478
Loss for the period	(277,720)

Board of Directors

Dan Okeke
Niyi Onifade
Wasiu Amao
Marvam Sani
Emmanuel Nhorom
Adesimbo Ukiri
Adaobi Nwakuhe
Muhammad Bello Umar
Suleyman A. Ndanusa

Business Review and Future Developments

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

Directors' interest in contracts

None of the directors have notified the Company for the purpose of section 303 of the Companies and Allied Matters Act, 2020, of interest in contracts or proposed contracts with the Company during the period.

Directors' Interest in Shares

The names of the Directors and their interests in the issued share capital of the Company as recorded in the Register of Directors' Shareholdings as at 31st December 2021, are as follows:

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
DIRECTORS' REPORT

DIRECTORS NAME	Number of Ordinary Shares held (2021)		
	Direct		Indirect
Mr. Dan Okeke	Nil		Nil
Mr. Niyi Onifade	Nil		Nil
Mr Emmanuel Nnorom	Nil		Nil
Ms. Simbo Ukiri	Nil		Nil
Mrs. Maryam Sani	Nil		Nil
Dr. Adaobi Nwaku	Nil		Nil
Mr. Muhammad Bello Umar	Nil		Nil
Dr. Suleyman Abdu Ndanusa	Nil		Nil
Mr. Wasiu Amao	Nil		Nil

Analysis of company's shares

According to the register of members at 31 December 2021, the shareholding in the Company as well as substantial interests in shares was as follows:

Shareholder	No. of Shares '000	Percentage held
Heirs Holdings Limited	4,000,000	50%
United Capital Plc	2,000,000	25%
Africa Prudential Plc	1,200,000	15%
AVON HMO Ltd	800,000	10%
	8,000,000	100%

Equity Range Analysis

The range of shareholding as at 31st December, 2020 is as follows:

RANGE	%	HOLDERS	%	HOLDINGS
1 - 1,000,000,000	25	1	10	800,000,000
1,000,000,001 - 2,000,000,000	50	2	40	3,200,000,000
4,000,000,000 - 8,000,000,000	25	1	50	4,000,000,000
GRAND-TOTAL	100	4	100	8,000,000,000

Post Balance Sheet Events

There were no events after the reporting date which could have a material effect on the state of affairs of the Company as at 31 December, 2021 or the financial performance for the year ended on that date that have not been adequately provided for or disclosed.

Acquisition of Own Shares

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

**HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
DIRECTORS' REPORT**

Diversity in Employment

The Company operates a non-discriminatory policy in the consideration of applications for employment. We believe diversity and inclusiveness are powerful drivers of competitive advantage in understanding the needs of our customers and creatively developing solutions to address them.

During the period under review, our staff diversity analysis are as follows:

	Male	Female	Total HC
Executive Management	2	0	2
Senior Management	5	1	6
Middle Management	14	8	22
Officer	9	4	13
Sub Total	30	13	43

Statement of commitment to maintain positive work environment

The Company shall strive to maintain a positive and equal opportunity work environment underpinned by professionalism, performance and ethical conduct.

Employment of physically challenged persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop. There were no physically challenged persons in the employment of the Company as at 31 December 2021.

Employee health, safety and welfare

Health and safety regulations are enforced within the premises of the entities of the Company. The Company provides medical facilities to all levels of employees. Medical facilities are provided to employees and their immediate families at the Company's expense.

Employee training and involvement

The Company is open to constructive and meaningful suggestions from its staff towards ensuring effective involvement of staff-members in matters affecting them as employees as well as those pertaining to the Company's affairs. These views are sourced through formal and informal channels. Training is critical to the Company and staff members are exposed to well structured courses and seminars.

Research and Development

As a part of its daily business, the Company carries out research into new life assurance products and services to anticipate and meet customers' need and to ensure excellent service is delivered at all time.

Board Evaluation

The Board was evaluated in respect of the Financial Year 2021 by the firm of Angela Aneke & Company Limited. The performance of the Board, Board Committees and individual directors were adjudged satisfactory and necessary feedback were communicated to individual directors

Corporate Governance Evaluation

Corporate Governance Evaluation was undertaken in respect of the Financial Year 2021 by the firm of Angela Aneke & Company Limited. Based on its work, the firm adjudged the Company's corporate governance practices to be satisfactory and in line with global best practice. It concluded that the corporate governance framework of the Company has considerably applied the 28 principles of the FRC Code.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
DIRECTORS' REPORT

Property, plant and equipment

Movement in property, plant and equipment during the period is shown in Note 16 to the financial statements. The Directors are of the opinion that the market value of the Company's property, plant and equipment is not less than the carrying value shown in the financial statements as at 31 December 2021.

Donations and gifts

The Company made no donations during the period.

Audit Committee

Pursuant to Section 14.4 of the Nigerian Code of Corporate Governance 2018, the Company had in place an Audit Committee comprising as follows:

Dr Suleyman Abdu Ndanusa	Independent Director (Chairman)
Mr. Muhammad Bello Umar	Independent Director
Mrs. Maryam Sani	Independent Director
Ms. Simbo Ukiri	Non-Executive Director
Mr. Emmanuel Nnorom	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 11.4.6 and 11.4.7 of the Nigerian Code of Corporate Governance 2018.

Auditors:

PricewaterhouseCoopers were appointed as auditors during the period and having satisfied the relevant corporate governance rules have indicated their willingness to continue in office as auditors to the Company in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

By order of the Board



Stanley Chikwendu
Company Secretary
FRC/2012/NBA/0590

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company recognizes the increasing relevance of good corporate governance practice to the sustenance and profitability of any organization committed to delivering the desired value to its shareholders and stakeholders at large.

GOVERNANCE STRUCTURE

The Board consists of 9 members, seven (7) of whom act in Non-Executive capacity.

Appointment to the Board of Heirs Life Assurance Limited is done in accordance with the provisions of the Company's Governance Charter, Articles of Association, the Companies and Allied Matters Act 2020 as well as the National Code of Corporate Governance, and other regulatory guidelines and directives issued from time to time. All appointees to the Board undergo a formal induction session and training for proper and seamless on-boarding.

BOARD COMMITTEES

The Board discharges its duties through a number of standing committees whose terms of reference are subject to regular reviews. The terms of reference define the purpose of each of the Committees, their composition, frequency of meetings, responsibilities and duties, as well as expected reports to the Board. As at 31st December 2021, the Board oversaw the affairs of the Company through three (3) standing Committees. The Committees are as follows:

a. Enterprise Risk Management Committee- The Committee has oversight responsibility to review and approve the Company's risk management policy including risk appetite and risk strategy, retention levels, classes of insurance, reinsurance and other risk mitigation mechanisms. The Committee also has responsibility for reviewing the adequacy and effectiveness of risk management and controls; and oversees management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms amongst others. The Committee met on three occasions during 2021 and also presented quarterly reports of their activities for the review of the Board.

b. Finance, Investment & General Purpose Committee – The Committee has oversight responsibility to consider and advise the Board of Directors on all aspects of the Company's finances. This includes, among others, annual estimates of income and expenditure and the financial forecasts for the Company; reviewing the periodic management accounts of the Company as well as advising the Board of Directors on the year-end accounts; periodically reviewing and advising the Board on the solvency of Company and the safeguarding of its assets; advising the Board on relevant taxation issues, general borrowings. The Committee also has an oversight for the Company's investment. It presents the Investment Policies and Investment Plans to the Board annually for approval and ensures that investments are made in accordance with the policy. The Committee reviews and approves as appropriate strategic investment. The Committee met on 4 occasions during 2021 and also presented quarterly reports of their activities for the review of the Board.

c. Audit, Governance & Compliance Committee - The Committee comprises of only Non-Executive Directors, and is responsible for reviewing quarterly Internal Audit reports as well as the Company's Compliance Report, Governance and Human Resources Report. The Committee also has oversight responsibility to review and report to the Board on matters of corporate governance, Board composition and remuneration; to provide oversight in respect of the company's internal systems for achieving compliance with legal and regulatory requirements, particularly as it pertains to good corporate governance. It establishes the criteria for Board and Board Committee memberships, reviews candidates' qualifications and potential conflict of interest, assesses the contribution of current Directors in connection with their re-nomination and makes recommendations to the Board amongst others. The Committee met 3 times during 2021 and also presented reports of their activities for the review of the Board.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD AND STANDING COMMITTEES

S/No	Director	Date of Appointment	Director Status	Committee Chairmen	Committee Membership
1	Mr. Dan Okeke	December 1, 2020	Chairman	N/A	N/A
2	Mr. Niyi Onifade	December 1, 2020	MD/CEO	N/A	1. FIGPC 2. ERM
3	Mr. Wasiu Amao	August 1, 2020	ED, Technical	N/A	1. FIGPC 2. ERM
4	Mrs. Maryam Sani	December 1, 2020	Independent Non-Executive Director	N/A	1. FIGPC 2. AGCC
5	Mr. Emmanuel Nnorom	February 11, 2019	Non- Executive Director	Chairman, Board Finance, Investment & General- Purpose Committee	1. FIGPC 2. AGCC
6	Ms. Adesimbo Ukiri	December 1, 2020	Non-Executive Director	N/A	1. AGCC 2. ERM
7	Dr. Adaobi Nwaku	December 1, 2020	Non-Executive Director	N/A	1. FIGPC 2. ERM
8	Mr. Muhammad Bello Umar	May 11, 2021	Non-Executive Director	Chairman, Enterprise Risk Management Committee (ERM)	1.ERM 2.AGCC
9	Dr Suleyman A. Ndanusa	June 8, 2021	Non Executive Director	Chairman, Audit, Governance & Compliance Committee	1. AGCC 2. ERM

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE GOVERNANCE REPORT
Dates of Board and Board Committee Meetings and Attendance for 2021

A. Board Meetings

S/No	Director	March 29, 2021	May 07, 2021	August 17, 2021	November 15, 2021	% Attendance
1	Dan Okeke	•	•	•	•	100%
2	Niyi Onifade	•	•	•	•	100%
3	Wasiu Amao	•	•	•	•	100%
4	Maryam Sani	•	•	•	•	100%
5	Emmanuel N. Nnorom	•	•	•	•	100%
6	Adesimbo Ukiri	•	•	•	•	100%
7	Adaobi Nwakuche	•	•	•	•	100%
8	Muhammad Bello Umar*			•	•	100%
9	Suleyman A. Ndanusa*			•	•	100%

*Mr Muhammad Bello Umar and Dr Suleyman Ndanusa did not attend all the meetings because they were appointed in May and June 2021, respectively, and approved by NAICOM on 9th August 2021. They started attending Board and Committee meetings thereafter.

B. Committee Meetings

Audit, Governance and Compliance Committee

S/No	Director	May 5, 2021	July 7, 2021	October 26, 2021	% Attendance
1	Dr. Suleyman Abdu Ndanusa*			•	100%
2	Emmanuel Nnorom	•	•	•	100%
3	Mrs. Maryam Sani	•	•	•	100%
4	Mr. Muhammad Bello Umar*			•	100%
5	Mrs. Adesimbo Ukiri	•	•	•	100%

*Mr Muhammad Bello Umar and Dr Suleyman Ndanusa did not attend all the meetings because they were appointed in May and June 2021, respectively, and approved by NAICOM on 9th August 2021. They started attending Board and Committee meetings thereafter.

Finance, Investment and General-Purpose Committee

S/No	Director	May 5, 2021	July 7, 2021	October 26, 2021	December 14, 2021	% Attendance
1	Mr. Emmanuel Nnorom	•	•	•	•	100%
2	Mr. Niyi Onifade	•	•	•	•	100%
3	Mrs. Maryam Sani	•	•	•	•	100%
4	Dr. Adaobi Nwakuche	•	•	•	•	100%
5	Mr. Wasiu Amao	•	•	•	•	100%

Enterprise Risk Management Committee-

S/No	Director	May 5, 2021	July 8, 2021	October 27, 2021	% Attendance
1	Dr. Suleyman Abdu Ndanusa *			•	100%
2	Mr. Muhammadu Bello Umar *			•	100%
3	Mrs. Adesimbo Ukiri	•	•	•	100%
4	Mr. Niyi Onifade	•	•	•	100%
5	Mr. Wasiu Amao	•	•	•	100%
6	Adaobi Nwakuche	•	•	•	100%

*Mr Muhammad Bello Umar and Dr Suleyman Ndanusa did not attend all the meetings because they were appointed in May and June 2021, respectively, and approved by NAICOM on 9th August 2021. They started attending Board and Committee meetings thereafter.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE GOVERNANCE REPORT

BOARD SELECTION AND APPOINTMENT PROCESS

The Board ensures that the process of appointing a Director is done in accordance with the Board Governance Charter, Companies and Allied Matters Act 2020 and other Codes of Corporate Governance which the Company is subject to. The process includes the following:

- The Board ensures that the procedure for selection and appointment of new directors on the Board of the Company is clearly defined, formal and transparent.
- The selection process reflects the Board's strengths and weaknesses, the required skill and experience.
- The Board conducts a thorough analysis of the existing Board composition and confirms whether there is a need to appoint a new Director, especially in events of causal vacancies.
- Nominations are forwarded to the Board through the Company Secretary. The Audit, Governance and Compliance Committee reviews the nomination as well as the profile of the candidate and makes its recommendation to the Board on the suitability of the proposed candidate.
- The Board considers the Committee's recommendation and conducts relevant checks to ensure that the proposed candidate is fit and proper to sit on the Board of an insurance company also not disqualified from being a Director in accordance with legislations and Codes of Corporate Governance to which the Company is subject.
- Sequel to the Board's approval of the appointment of the proposed candidate on the Board, the appointment is formally communicated to the successful candidate. The successful candidate will be required to formally accept or reject the appointment.
- Also following the approval of the Board, the Company Secretary notifies the National Insurance Commission in writing, seeking the Commission's approval of the appointment.

TRAINING AND INDUCTION

The Company believes that a robust induction as well as regular training and education of Board members on issues pertaining to their oversight functions will improve Director's performance. Regarding new Directors, there is a personalized induction program which includes one-on-one meetings with Executive Directors and Senior Management responsible for the Company's key business areas. Such sessions focus on the challenges, opportunities and risks facing the business areas. The induction program covers an overview of the Strategic Business Units as well as the Board processes and policies. A new Director receives an induction pack which includes charters of the various Board Committees, significant reports, important legislation and policies, minutes of previous Board Meetings and a Calendar of Board Activities. Directors are also required to participate in periodic, relevant continuing professional development programs to update their knowledge.

During the year under review, Directors attended the following trainings:

- a. FITC NAICOM: Accelerating Insurance Business Growth & Market Penetration – Leadership Imperatives for Insurance Companies Post Covid-19
- b. PwC Microinsurance Outlook in Nigeria
- c. EY Nigeria - Concept of Reserving and Risk Management in Nigeria
- d. Inhouse – Cyber Security Insurance

DIRECTORS STANDING FOR RE-ELECTION

In accordance with the Company's Article of Association and S285(1) and (2) of the Companies and Allied Matters Act 2020, Mr Emmanuel Nnorom, Mrs. Maryam Sani and Mr Dan Okeke will retire by rotation, and being eligible would be offering themselves for re-election.

GENDER DIVERSITY

The Company is aware of the need for fair representation of people of different genders as members of the Board, Executive Management as well as other employees. Both men and women are provided with a level play field and no gender is seen as being more pivotal to the business of the organization than another.

BOARD AND GOVERNANCE EVALUATION

In accordance with the National Code of Corporate Governance, the governance practices and activities of the Board were evaluated by the firm of Angela Aneke & Co. The firm was appointed during the year under review to undertake the task

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CORPORATE GOVERNANCE REPORT

RENUMERATION STATEMENT

The Report on Directors' and Management and Staff remuneration is as set out in the Audited Financial Statements. The Group has established clear policy guidelines for the determination and administration of compensation. In line with the policy guidelines, the Company seeks to attract and retain the best talent in countries that it operates. To achieve this, the Company seeks to position itself among the best performing and best employee rewarding companies in its industry. This principle will act as a general guide for the determination of compensation. The objective of the policy is to ensure that salary structure including short and long term incentives motivate sustained high performance and are linked to corporate performance. It is also designed to ensure that stakeholders are able to make reasonable assessment of the Company's reward practices. It is the Company's policy to comply in full with all local tax laws. The Company also complies with the Pension Reform Act on the provision of retirement benefit to employees at all levels.

CLAWBACK POLICY

The Company has in place a clawback policy in respect of performance bonus payments to executive management and employees.

FINES & PENALTIES

The company paid a fine of fifty thousand naira to NOTAP during the period.

STATEMENT OF COMPLIANCE

The Company carried out its Corporate Governance practices in line with the National Code of Corporate Governance and the Corporate Governance Guidelines 2021 issued by the National Insurance Commission.

WHISTLE BLOWING POLICY

The Company has instituted a robust whistle blowing policy which encourages anonymous reporting of unethical and illegal actions and activities.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

As a major player in the insurance industry, Heirs Life Assurance Limited is fully conscious of its status and responsibilities in the Nigerian society as a corporate citizen. As such, the Company deliberately integrates the society in its plans and maintains a very robust relationship with all stakeholders including its employees, host community, consumers and the general public.

RELATIONSHIP WITH SHAREHOLDERS

The Company is fully conscious of the importance of effective and constant interaction with shareholders. The Company benefits tremendously from the interactions and would welcome further contributions of shareholders at the Annual General Meeting. The Company will continue to take all necessary steps to uphold shareholder rights.

COMPLAINTS MANAGEMENT POLICY

The Company has in place a Complaints Policy to handle and resolve complaints. A copy is annexed to the Annual Report and is also available on the Company's website.

CODE OF CONDUCT & BUSINESS ETHICS

The Code of Conduct & Business Ethics provides general guidance and complements other policies and procedures of the Company regarding ethics and acceptable conduct in the organization. The Code clearly defines parameters of acceptable principles and standards in which Directors and employees are expected to conduct themselves in undertaking the business of the Company.

COMMUNICATIONS POLICY

The Communications Policy governs how information is communicated within Heirs Life Assurance Limited and how the Company's representatives may communicate with outside parties. The Policy defines who "outside parties" are and applies to all Heirs Life Assurance Limited employees, directors, officers, consultants and contractors.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENTS OF DIRECTORS' RESPONSIBILITIES

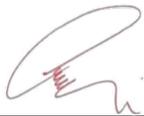
The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the period and of its profit or loss. The responsibilities include:

- a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- b) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

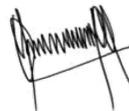
The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act.

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

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Dan Okeke
Chairman
FRC/2021/003/00000024357
May 16 2022



Niyi Onifade
Managing Director/CEO
FRC/2013/CIIN/00000002690
May 16 2022

**HEIRS LIFE ASSURANCE
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENTS OF DIRECTORS CORPORATE RESPONSIBILITIES**

In line with the provision of S.405 of CAMA 2020, we have reviewed the audited financial statements of the Company for the thirteen months period ended 31 December 2021 and based on our knowledge confirm as follows:

(I) The 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,

(II) The 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 thirteen months period ended 31 December 2021.

(iii) the Company's internal controls has been designed to ensure that all material information relating to the Company is received and provided to the Auditors in the course of the audit.

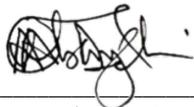
(iv) the Company's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2021.

(v) That we have disclosed to the Company's Auditors and Audit committee the following information:

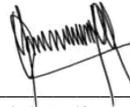
(a) There are no significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with auditors any weaknesses in the internal controls observed in the cause of the audit.

(b) There is no fraud involving management or other employees which could have any significant role in the Company's internal control.

(vi) There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.



Abayomi Kayode
Chief Financial Officer (CFO)
FRC/2017/ICAN/00000017633



Niyi Onifade
Managing Director/CEO
FRC/2013/CIIN/00000002690

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
AUDIT COMMITTEE REPORT

In accordance with the provision of Section 404 (4) of the Companies and Allied Matters Act, the members of the Audit Committee of Heirs Life Assurance Limited hereby report as follows:

We have exercised our statutory functions under Section 404(1) of the Companies and Allied Matters Act and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements, and agreed ethical practices and the scope and planning of both the external and internal audits for the thirteen months period ended 31 December 2021 were satisfactory and reinforce the Company's internal control systems.

We have deliberated with the external auditor, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the external auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.



Dr Suleyman A. Ndanusa
Chairman, Audit, Governance & Compliance Committee
FRC/2014/NBA/00000007180
16th May 2022

MEMBERS OF THE BOARD, AUDIT AND COMPLIANCE COMMITTEE

Dr Suleyman A. Ndanusa	Chairman
Emmanuel Nnorom	Member
Mrs. Maryam Sani	Member
Mr. Muhammad Bello Umar	Member
Mrs, Adesimbo Ukiri	Member

**HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
CERTIFICATION BY COMPANY SECRETARY**

In my opinion as the Company Secretary, I hereby certify, in terms of the Companies and Allied Matters Act 2020, that for the thirteen months period ended 31 December 2021, the Company lodged all such returns as required of a company in terms of the Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



Stanley Chikwendu
Company Secretary
FRC/2012/NBA/0590



Independent auditor's report

To the Members of Heirs Life Assurance Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Heirs Life Assurance Limited's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and of its financial performance and its cash flows for the thirteen months period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Insurance Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Heirs Life Assurance Limited's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the thirteen months period then ended;
- the statement of changes in equity for the thirteen months period then ended;
- the statement of cash flows for the thirteen months period then ended;
- the notes to the financial statements; and
- the statement of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of insurance contract liabilities – N1.5 billion (refer to notes 3.11, 4, 5.8i, 20)</i></p> <p>The valuation of insurance contract liabilities involves subjective judgments about future events made by the independent external actuary.</p> <p>The Company's insurance contract liabilities comprise: Outstanding Claims, Life Insurance Liability, Annuity Liability and Life Savings Fund (Risk Reserve). The key areas of significant judgment in the valuation of insurance contract liabilities include:</p> <ul style="list-style-type: none">• Determination of premium reserves which is made up of Unearned Premium Reserves (UPR) and Deferred Acquisition Cost (DAC).• Estimation of claims reserves using the loss ratio method which includes Incurred but not reported claims (IBNR).• Application of valuation interest rate, expense inflation, mortality rates in the Gross Premium Valuation approach used for the individual life business.	<p>We assessed the competence, independence and objectivity of the company's actuarial experts.</p> <p>We tested, on a sample basis, correspondences and policy documents included in the customers' files, which were used in determining the outstanding claims and unearned premium reserve.</p> <p>We tested the completeness and appropriateness of the underlying data used in the actuarial valuations by checking the data recorded in the financial statements against the actuarial data used by management's experts.</p> <p>With the support of our actuarial experts, we:</p> <ul style="list-style-type: none">• assessed the consistency and reasonableness of the valuation methodologies used;• assessed the reasonableness of the method used for calculation for UPR and DAC and checked that it is in line with generally accepted actuarial techniques;• assessed the reasonableness of the loss ratio method used for estimating the IBNR and checked that it is in line with generally accepted actuarial techniques;• assessed the reasonableness of the gross premium valuation approach used in determining the reserve for the individual life business. We compared the actuary's assumption for valuation interest rate, mortality rates as well as expense inflation rate to independent external information. <p>We checked the adequacy of the presentation and disclosure in the financial statements.</p>



Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' Report, Corporate governance report, Statement of Directors' Responsibilities, Statement of Directors' Corporate Responsibilities, Audit committee report, Certification by company secretary and Value Added Statement but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that



may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

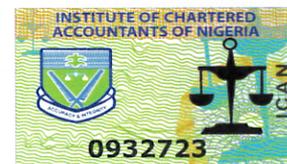
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Insurance Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

9 June 2022

Engagement Partner: Chioma Obaro
FRC/2017/ICAN/00000017333

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General information

These are the financial statements of Heirs Life Assurance Limited ("the Company"). The Company was incorporated on 13th day of February, 2019 with Registration number - RC 1561351. Operational licence with registration number 094 was issued by NAICOM on 25th day of November, 2020 and operations commenced on 1 December 2020.

The financial statements of the company for the period ended 31 December 2021 were authorised for issue by the directors of the Heirs Life Assurance Limited on 16 May 2022.

Summary of significant accounting policies

Introduction to summary of significant accounting policies

The following are the significant accounting policies adopted by the company in the preparation of the financial statement.

a. Functional and presentation currency

This financial statements is presented in Nigerian Naira, which is the company's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

b. Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared in accordance with the going concern principle under the historical cost convention.

Accounting policies and disclosures

New and amended standards and interpretations

The new standard below is effective and became applicable for the current reporting period.

Standard	Content	Effective date
IFRS 9 & 7	Interest Rate Benchmark Reform	1 January 2021
IFRS 16	Interest rate benchmark reform & amendment on rent concessions	1 January 2021

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 9,7 & 16

The IASB has undertaken a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform and amendment on rent concessions. The Phase 1 amendments, issued in September 2019, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by IBOR reform. The Phase 2 amendments that were issued in August 2020 to address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one. The key reliefs provided by the Phase 2 amendments are as follows:

- **Changes to contractual cash flows.** When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the statement of profit or loss and other comprehensive income.

- **Hedge accounting.** The hedge accounting reliefs will allow most IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. However the above amended standards does not have an impact on the company.

- **Rent Concession.** In light of the recent Covid-19 pandemic and the resulting rent concessions granted by lessors, this amendment allows lessees to account for rent concessions as if they were not lease modifications. The amendment allows lessees to use the practical expedient as an accounting policy choice for rent concessions, where any lease payment reduction affects payments due on or before June 30, 2021. The company decided not to use explore this option.

1. Going Concern

These financial statements have been prepared on the going concern basis. The Company has no intention or need to reduce substantially its business operations. The management believes that the going concern assumption is appropriate for the Company due to the sufficient capital adequacy ratio and projected liquidity, based on historical experience that short term obligations will be refinanced in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the Company is carried out by the Company to ensure that there are no going concern threats to the operation of the Company.

1.1 Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1.1 Statement of Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003, and relevant National Insurance Commission (NAICOM) guidelines and circulars to the extent that they do not conflict with the requirement of IFRS.

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.

1.2 Basis of Measurement

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matter Act, Insurance Act, 2003 and regulatory guidelines as pronounced from time to time by National Insurance Commission.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.3 IFRS 9 - Financial Instrument: Classification and Measurement

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

1.4 Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies set out in the 'Note on significant accounting policies to the period presented in the financial statements'.

The Company will adopt new standards and amendments to standards, including any consequential amendments to other standards, in the accounting period that they become effective. Such standards and amendments will be stated explicitly with the relevant impact on the company's financial statements.

1.5 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Nigerian Naira (N), rounded to the nearest thousand, which is also the functional currency of the Company.

1.6 Use of estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.8.

1.7 Regulatory authority and financial reporting

The Company is regulated by the National Insurance Commission of Nigeria (NAICOM) under the Insurance Act 2003 of Nigeria. The Act specifies certain provisions which have impact on financial reporting as follows:

I. Section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year;

II. Section 20 (1b) requires provision for outstanding claims to be credited with an amount equal to the total estimated amount of all outstanding claims with a further amount representing 10 percent of the estimated figure for outstanding claims in respect of claims incurred but not reported at the end of the year under review;

III. Sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under statement of changes in equity to cover fluctuations in securities and variation in statistical estimates;

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

IV. Section 22 (1a) requires the maintenance of a general reserve fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation and an additional 25 percent of net premium for every year between valuation date;

V. Section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act.

VI. Section 10(3) requires insurance companies in Nigeria to deposit 10 percent of the minimum paid up share capital with the Central Bank of Nigeria.

VII. Section 25 (1) requires an insurance company operating in Nigeria to invest and hold invested in Nigeria assets equivalent to not less than the amount of policy holders' funds in such accounts of the insurer. See note 50 for assets allocation that covers policy holders' funds.

The Financial Reporting Council Act (FRC Act), 2011 which requires the adoption of IFRS by all listed and significant public interest entities provides that in matters of financial reporting, if there is any inconsistency between the FRC Act and other Acts which are listed in section 59(1) of the FRC Act, the FRC Act shall prevail. The Financial Reporting Council of Nigeria acting under the provisions of the FRC Act has promulgated IFRS as the national financial reporting framework for Nigeria. Consequently, the following provisions of the National Insurance Act, 2003 which conflict with the provisions of IFRS have not been adopted:

I. Section 20 (1b) which requires the provision of 10 percent for outstanding claims in respect of claims incurred but not reported at the end of the year under review.

II. Section 22(1a) which requires additional 25 percent of net premium to general reserve fund.

1.8 Reporting period

The statement of financial position shall be prepared as at 31 December 2021 for a thirteen months period.

2. Significant Accounting Policies

2.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income. within 'Other operating income' or 'Other operating expenses'.

Changes in the fair value of monetary assets denominated in foreign currency classified as FVTPL are analyzed between translation differences resulting from changes in the fair value of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the statement of profit or loss and other comprehensive income.

Translation differences on non-monetary financial assets such as equities classified as fair value through profit or loss financial assets are also recognised in statement of profit or loss and other comprehensive income.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Cash and cash equivalents

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

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

2.3 Financial assets and liabilities

3.3.1 Classification

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Company classifies its financial assets into the following categories in line with IFRS 9:

- a) Financial assets at fair value through profit or loss;
- b) Amortized cost.

The Company's financial assets include cash and short term deposits, trade and other receivables, investment valued at fair value through profit and loss, investment valued at amortised cost, statutory deposit with CBN and reinsurance recoverable.

The Company's financial liabilities are classified as other financial liabilities. They include: insurance contract liabilities, creditors and accruals, trade payables and other payables.

3.3.2 Initial recognition

Financial assets are classified and measured at initial recognition at fair value, including directly attributable transaction cost. Subsequent measurement is based on the Company's business model objective of managing the assets as well as the contractual cash flow characteristics of financial assets.

a. Business Model Assessment

The business model reflects how the Company manages assets in order to generate cash flows. That is, it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of the other 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. The proceeds from the contractual cash flows of the financial assets are used to settle insurance contract liabilities as they become due. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the Company undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b. Solely payments of principal and interest

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 Payment 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 FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Company has determined that an accounting mismatch is reduced if financial assets backing non-participating life insurance contracts are measured at FVTPL. For these instruments, the Company has applied the option to designate these financial assets at FVTPL.

3.3.3 Subsequent measurement

a. Financial assets held at fair value through profit or loss

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value, with gains and losses arising from changes in this value recognized in the statement of profit or loss and other comprehensive income in the period in which they arise.

b. Financial assets at amortised cost

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Interest income on financial assets at amortised cost is included in investment income in the statement of profit or loss and other comprehensive income.

The company's placement with other financial institutions with original maturities of three months or less from the acquisition date are measured at amortised cost. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

c. Trade receivables

Trade receivables arising from insurance contracts are stated after deducting allowance made for specific debts considered doubtful of recovery. Premium receivables are recognized when confirmation of premium is received from insurance brokers and co-insurance in the form of credit notes and are within 30 days, in conformity with the "No premium, No cover" policy. Trade receivables are reviewed at every reporting period for impairment (see note 3(d)(iii) for the accounting policy on impairment of trade receivables).

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Loans and receivables on the statement of financial position comprise staff loans and loans to policy holders.

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

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

Interest on loans and receivables are included in profit or loss and reported as other operating income. When the asset is impaired, they are carried on the statement of financial position as a deduction from the carrying amount of the loans and receivables and recognized in the statement of profit or loss as impairment losses.

3.3.4 Fair value measurement

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

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

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

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

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. The Company discloses fair value of all its financial instruments.

3.3.5 De-recognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when its rights to receive the contractual cash flows on the financial asset in a transaction that transfers substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

On de-recognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.3.6 Impairment of assets

a. Financial assets carried at amortized cost

The carrying amounts of these assets are reviewed at each reporting date to determine whether there is

- i. Significant financial difficulty of the issuer or debtor;
- ii. A breach of contract, such as a default or delinquency in payments;
- iii. It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

iv. The disappearance of an active market for that financial asset because of financial difficulties; or
v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.

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

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

b. Trade receivables

Trade receivables arising from insurance contracts represent premium debtors with determinable payments that are not quoted in an active market and the Company has no intention to sell. Trade receivables are recognized when confirmation of premium is received from insurance brokers and co-insurance in the form of credit notes and are within 30 days, in conformity with the "No premium, No cover" policy. Trade receivables that are individually identified as impaired are assessed for specific impairment. All other trade receivables are assessed for collective impairment. Receivables are stated net of impairment determined in line with financial assets carried at amortized cost.

c. Loans and receivables

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

d. Impairment of non-financial assets

The Company's non-financial assets with carrying amounts other than investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.3.7 Definition of terms

3.4 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from the group of similar transactions.

3.5 Reinsurance assets

These are receivables that arise from reinsurance contracts.

3.6 Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the origination of insurance contracts. Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying the ratio of unearned premium and gross written premium to total acquisition cost.

3.7 Other receivables and prepayments

Prepayments and other receivables are carried at cost less amortization and accumulated impairment losses.

3.8 Intangible assets

3.8.1. Software

Recognition of software acquired is only allowed if it is probable that future economic benefits to this intangible asset are attributable and will flow to the Company.

Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortization and any accumulated impairment losses. Maintenance costs should not be included.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is Five (5) years subject to annual reassessment.

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

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

3.9 Property, plant and equipment

3.9.1. Recognition & measurement

All items of property and equipment except leasehold land, are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within other income in statement of profit or loss and other comprehensive income. An asset useful life are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

3.9.2. Subsequent costs

Subsequent costs on replacement parts on an item of property are recognized in the carrying amount of the asset and the carrying amount of the replaced or renewed component is derecognized.

3.9.3. Subsequent measurement

All items of property and equipment except land and buildings are subsequently measured at cost less accumulated depreciation and impairment losses.

Land and buildings are subsequently carried at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses, if any. They are valued on an open market basis by qualified property valuers at each reporting date.

When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognized as an expense in the statement of profit or loss and other comprehensive income.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognized as an expense in the statement of profit and loss.

3.9.4. Depreciation

Depreciation is calculated on property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reassessed at each reporting date. No depreciation is charged on property and equipment until they are brought into use.

Depreciation reduces an asset's carrying value to its residual value at the end of its useful life, and is allocated on a straight line basis over the estimated useful lives, as follows:

Asset	Depreciation Rate
Building	2%
Office Equipment	20%
Computer Hardware	20%
Furniture and Fittings	20%
Motor Vehicles	25%

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

3.9.5. De-recognition

Upon disposal of any item of property and equipment or when no future economic benefits are expected to flow from its use, such items are derecognized from the books. Gains and losses on disposal of assets are determined by comparing proceeds with their carrying amounts and are recognized in the income statement in the year of de- recognition.

3.10 Statutory deposit

The statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) as mandated by the Insurance Act 2003. The deposit is measured at cost and interest is paid twice annually at rates determined by the CBN.

3.11 Insurance and Investment Contract

The Company issues contracts that transfer insurance risk or financial risk or both. For the purposes of valuations and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to the Company, whereas investment contracts transfer financial risk. Investment contracts are comprised of the liabilities on policies in force as actuarially computed on the reporting date.

3.11.1. Classification contracts

A contract is classified as an insurance contract where the Company accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiaries. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

a. Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies are recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The Company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reserving methodology and assumptions

i) Data segmentation

The data used for reserving is segmented into the 2 classes as follows:

- * Individual business
- * Group business

ii) Valuation and assumptions

The basic chain ladder method is used for both the individual business and group business

- * the valuation age is taken as Age Last Birthday at the valuation date;
- * the period to maturity is taken as the full term of the policy less the expired term.

* full credit is given to premiums due between valuation date and the end of the premium paying term.

An unexpired premium reserve is included for Group Life business, after allowing for acquisition expenses.

3.11.2. Commission income

Commission income is recognized on ceding business to the reinsurer, and are credited to the profit and loss account.

3.11.3. Underwriting expenses

Underwriting expenses comprise acquisition and maintenance expenses.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

3.12 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Investment contracts comprise interest linked funds. Interest linked investment contracts are measured at amortised cost.

Investment contracts with guaranteed returns (interest linked) and other business of a savings nature are recognized as liabilities. Interest accruing to the life assured from investment of the savings is recognized in the statement of profit or loss and other comprehensive income in the year it is earned while interest paid and due to depositors is recognized as an expense. The net result of the deposit administration revenue account is transferred to the statement of profit or loss and other comprehensive income of the Company.

3.13 Trade and other payables

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

3.14 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at the rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

3.15 Share capital & reserves

3.16.1 Share capital.

The Company classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to issue of shares are recognized as deductions from equity net of any tax effects.

3.16.2 Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognized in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

3.17 Contingency reserves/ Asset revaluation reserve

In compliance with the Insurance Act 2003, the contingency reserve for life business is credited with an amount equal to 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reached the amount of minimum paid up capital.

3.18 Asset revaluation reserve

Assets revaluation reserves represents the fair value differences on the revaluation of items of property, plant and equipment as at the balance sheet date.

3.19 Fair value reserve

Fair value reserves represents the fair value difference on revaluation of financial assets carried at fair value through other comprehensive income as at balance sheet date.

3.20 Earnings per share

The Company presents Basic Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period excluding treasury shares held by the Company.

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

3.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present obligation as a result of past event which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims or court processes in respect of which a liability is not likely to crystallize.

3.22 Insurance contract - Recognition and measurement

3.22.1 Gross premium written

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of premium earned.

3.22.2 The earned portion

The gross premium earned represents premiums as earned from the date of attachment of risk, over the insurance period on a time apportionment basis.

3.22.3 Unearned premiums

Unearned premiums are proportion of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired period of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs.

3.22.4 Reinsurance assets and liabilities

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net potential losses on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct credit obligations to its policyholders.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when incurred.

The Company has the right to set-off re-insurance payables against the amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

Reinsurance recoverable are estimated in a manner consistent with the outstanding claims provision and claims incurred associated with the reinsurers policies and in accordance with the related insurance contract. They are measured at their carrying amount less impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. If there is objective evidence of impairment, the Company reduces the carrying amount of its insurance assets to its recoverable amount and recognizes the impairment loss in the statement of profit or loss and other comprehensive income.

3.22.5 Reinsurance expense

Reinsurance expense represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

3.22.6 Claims expenses

a. Claims expenses

Claims and loss adjustment expenses are charged to statement of profit or loss and other comprehensive income as incurred based on the estimated liability for compensation owed to the contract holders or beneficiaries. They include direct and indirect claims settlement cost and arise from events that have occurred up to the reporting period, whether they have been reported or not. The Company does not discount its liabilities for unpaid claims.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b. Outstanding claims

The provision for outstanding claims, is estimated based on historic information on reported cases and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if material.

Reinsurance recoverable are recognized when the Company records the liability for the claims and are not netted off claims expense but are presented separately in the statement of profit or loss and other comprehensive income.

3.22.7 Receivables and payables related to insurance contracts

Insurance receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes the impairment loss in the income statement. The Company determines the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortized cost. The impairment loss is calculated using the same method used for these financial assets.

3.23 Insurance contracts:

Revenues and expenses in respect of insurance contracts are summarized in note 3.11.

3.23.1 Investment and other operating income

Investment income comprises interest income earned on short- term deposits, rental income and income earned on trading of securities including all realized and unrealized fair value changes, interest, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

Interest income and expenses for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognized within 'investment income' and 'finance costs' in the income statement using the effective interest rate method. Fees and commissions that form part of an integral part of the effective yield of a financial instrument are recognized as an adjustment to the effective interest rate of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

3.24 Dividend income

Dividend is recognized as earned when the quoted price of the related security is adjusted to reflect the value of the dividend and is stated net of withholding tax. Scrip dividend is recognized on the basis of the market value of the shares on the date they are quoted.

3.25 Management and other operating expenses

Management expenses are expenses other than claims and underwriting expenses. They are accounted for on an accrual basis and comprise the following:

3.26 Other operating expenses

These include depreciation expenses and other operating expenses. They are recognized on an accrual basis.

3.27 Hypothecation of Assets

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

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

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

3.28 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

3.29 Leases

Leases (right-of-use asset) are accounted for in accordance with IFRS 16 and are accounted for in line with the company being the lessee. At the commencement date, the Company recognises a right-of-use asset at cost and a lease liability, where applicable, at the present value of the lease payments that are not paid at that date.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Company subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENTS OF FINANCIAL POSITION

	NOTES	13 Months to 31 Dec 2021 N'000
ASSETS		
Cash and cash equivalents	6	275,531
Financial assets - FVTPL	7	6,975,688
Financial assets - Amortized Cost	8	587,687
Trade receivables	9	330
Reinsurance assets	10	110,780
Other receivables & prepayments	12	186,391
Deferred acquisition cost	13	27,210
Right of use asset	11	709,198
Statutory deposits with CBN	14	800,000
Property, plant and equipment	15	149,129
Intangible assets	16	163,361
TOTAL ASSETS		<u>9,985,305</u>
LIABILITIES		
Trade payables	17	91,418
Provisions & other payables	18	116,591
Insurance contract liabilities	19	1,516,247
Investment contract liabilities	20	194,831
Lease liability	21	343,939
Income tax payable	22	532
TOTAL LIABILITIES		<u>2,263,558</u>
EQUITY		
Ordinary share capital	23	8,000,000
Contingency reserve	24	26,995
Retained earnings	25	(305,247)
TOTAL EQUITY		<u>7,721,748</u>
TOTAL EQUITY & LIABILITIES		<u>9,985,305</u>

These financial statements were authorised for issue by the board of directors on the 16 May 2022 and were signed on its behalf by:



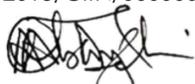
Dan Okeke
Chairman

FRC/2021/003/00000024357



Niyi Onifade
Managing Director/CEO

FRC/2013/CIIN/00000002690



Abayomi Kayode
Chief Finance Officer

FRC/2017/ICAN/00000017633

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Dec. 2021 N'000
Gross written premium		2,699,478
Changes in unearned premium reserve		(302,817)
Gross premium earned	26	<u>2,396,661</u>
Reinsurance expenses	27	(216,216)
Net premium earned		<u>2,180,445</u>
Fees and commission income	28	73,109
Net underwriting income		<u>2,253,554</u>
Changes in funds		
Changes in insurance fund	29	(474,625)
Changes in annuity fund	29	(569,121)
Total changes in insurance funds		<u>(1,043,746)</u>
Claims expenses	30	(256,849)
Reinsurance recoveries on claims	31	56,234
Net insurance benefits and claims incurred/recovered		<u>(200,615)</u>
Underwriting expenses	32	(338,461)
Underwriting profit		<u>670,732</u>
Other Income/expenses	36	(159,641)
Impairment (loss) on financial asset	37	(1,104)
Specific impairment loss on other assets	38	(10,108)
Staff costs	39	(509,736)
Management expenses	40	(952,589)
Investment income	33a	625,461
Profit on investment contracts	34	14,884
Net fair value gain on financial asset	35	44,381
Loss before tax		<u>(277,720)</u>
Income tax expense	22	(532)
Loss after tax		<u>(278,252)</u>
Total comprehensive loss for the period		<u>(278,252)</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF CHANGES IN EQUITY

(All amount are in thousands of Naira)

	<i>Share Capital</i>	<i>Contingency Reserve</i>	<i>Retained Earning</i>	<i>Total</i>
Capital Injection during the period	8,000,000			8,000,000
Total Comprehensive Income:				
Profit for the period	-	-	(278,252)	(278,252)
Movement in contingency reserve	-	26,995	(26,995)	-
Total Comprehensive Income:	8,000,000	26,995	(305,247)	7,721,748
As at 31 Dec 2021	8,000,000	26,995	(305,247)	7,721,748

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
STATEMENT OF CASHFLOW

	Note	31 December 2021
		<u>N'000</u>
Cash flows from operating activities:		
Premium received from policyholders		2,699,148
Cash received from investment contract liability	20a	205,192
Cash withdrawals from investment contract liability	20a	(11,909)
Fees and commission income	28	73,109
Re-insurance premium paid	27(b)	(235,797)
Commission paid	32	(198,652)
Maintenance expenses	32	(145,539)
Claims paid- Others	30a	(102,420)
Claims paid- Annuity	30a	(14,236)
Payment to employees	39	(431,164)
Other operating cash payment		(964,715)
Statutory deposit		<u>(800,000)</u>
Net cash outflow used in operating activities		<u>73,018</u>
Cash flows from investing activities:		
Interest received	33a	504,560
Acquisition of PPE & Intangible asset		(352,293)
Purchases of investment securities		(7,939,125)
Maturities of investment securities		<u>482,918</u>
Net cashflow from investing activities		<u>(7,303,940)</u>
Cash flows from financing activities		
Paid up capital received from shareholders		8,000,000
Principal elements of lease payment		<u>(493,546)</u>
Net cashflow from financing activities	11	<u>7,506,454</u>
Net increase in cash and cash equivalent		275,531
Cash and cash equivalent, beginning of period		-
Net increase in cash and cash equivalent		<u>275,531</u>
Cash and cash equivalent, end of period	6	<u>275,531</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

4 Insurance risk

The risk in any insurance contract is the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. Because of the nature of an insurance contract, this risk is random and thus unpredictable.

The primary risk that the Company confronts under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance obligations for a portfolio of insurance contracts where the theory of probability is used to pricing and provisioning. This might happen if the frequency or severity of claims and compensation is higher than expected. Insurance events are unpredictable, and the actual number and quantity of claims and payouts will differ from year to year compared to the level established using statistical methodologies.

According to past experience, the larger the portfolio of identical insurance contracts, the lower the relative unpredictability around the projected outcome. Furthermore, a more diverse portfolio is less likely to be impacted by a change in any subset of the portfolio. The company has created its insurance underwriting approach to diversify the types of insurance risks taken and to obtain a sufficiently broad population of risks within each of these categories to lessen the unpredictability of the expected outcome. A lack of risk diversification in terms of kind and quantity of risk is one of the factors that aggravates insurance risk. The nature and management of these hazards are summarized in this section.

4.1 Underwriting risk

Underwriting risk relates mainly to the uncertainty that the insured event will occur. The nature of an insurance contract is that the timing and size of claims are uncertain and therefore unpredictable. The principal underwriting risk is the risk that the actual outcome of mortality, morbidity and medical claims will result in volatile profits from one year to the next. Such volatility may result from large concentrations of risk or from charging inadequate premiums relative to the severity or incidence of the risk accepted. Inadequate policy wording may fail to protect the insurer from claims that were not envisaged when the product was priced. Insurance events are random and the actual number and amount of underwriting benefits will vary from the best estimates established from statistical techniques and taking cognisance of past experience. The company manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

The following policies and practices are used by the Company as part of its underwriting strategy to mitigate underwriting risk:

- (i) All long-term insurance product additions and alterations are required to pass through the approvals framework that forms part of the governance process. The statutory actuary approves the financial soundness of new and revised products.
- (ii) The Company's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.

HEIRS LIFE ASSURANCE LIMITED**FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021****NOTES TO THE FINANCIAL STATEMENTS**

- (iii) Premium rates are required to be certified by the statutory actuary as being financially sound, prior to issuance.
- (v) The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- (vi) Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

4.2 Severity of claims

The company mitigates the severity of potential claims by establishing underwriting limits and enforcing suitable risk selection criteria through reinsurance contracts. As a result of such reinsurance agreements, the Company should not incur net insurance losses in excess of N25 million per group life business and N15 million per individual life business on any policy. The company has specialized claims departments that deal with the risk reduction associated with claims. All claims are investigated and adjusted by this unit. Individual claims are evaluated quarterly and amended to reflect the most recent information on the underlying facts, contractual terms and circumstances, and other considerations. To decrease its exposure to unpredictability, the company aggressively monitors and seeks early claim settlements.

4.3 Concentration risks

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

Class of business	31-Dec-21		
	Gross liability	Re-Insurance	Net liability
	N000	N000	N000
Individual traditional	504,116	-	504,116
Individual savings	-	-	-
Group credit life-UPR	67,318	7,463	59,855
Group credit life-IBNR	25,891	6,143	19,748
Group credit life-DAC	(6,729)	(1,301)	(5,428)
Group life – UPR	235,499	78,099	157,400
Group life – AURR	-	-	-
Group life – IBNR	66,990	16,747	50,243
Group life – DAC	(20,481)	(20,178)	(303)
Annuity	569,121	-	569,121
Claims reported and loss adjustment expenses	47,313	4,205	43,108
	1,489,038	91,178	1,397,860

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

4.4 Sources of uncertainty in the estimation of future claim payments

Uncertainty in the estimation of future benefits payments and premium receipts for life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholders' behaviour.

According on the type of contract being drafted, the firm employs relevant and approved standard mortality basis tables.

Annuity Risk

The Annuity business, which is the Company's primary retirement plan product, is vulnerable to market risks. This is mostly due to the fact that it is a life insurance policy with a lump sum payment at the start of the plan and a guarantee duration of ten years. The product's nature always exposes it to interest rate (reinvestment) and longevity risk. Interest rate risk occurs because the annuitant is provided a set interest rate with which to compute the monthly payout. As a result, the Company must always guarantee that assets meet obligations by selecting investments with high returns to match the debt. There are also limited investments with long dated maturities which therefore opens such funds to reinvestment risk. In managing these risks however, the firm leverages on its technical partners to form a robust asset and liability management process that ensures liabilities are matched (as far as possible into future) with assets, mostly interest-bearing, both in terms of liquidity and as well as interest rate.

Furthermore, because annuities provide retirees with lifetime income flow, the company is vulnerable to longevity risk, which occurs when annuitants live longer than their predicted life duration. In order to manage this risk exposure, we always adopt an extremely conservative approach when pricing our obligations, taking into account a near to stressed life expectancy for our annuitants, and appropriate reserves are also generated to meet the needs of such eventualities. On the asset side, we regularly analyze the impact of changes in interest rates (or other market risk variables), but on the liability side, we additionally assess the impact of changes in underlying assumptions such as mortality rate.

4.5 Valuation methods

The insurance liabilities was based on the following valuation methodologies:

Type of Business	Valuation Method
Individual risk business	Gross premium
Individual deposit based (savings) business	Deposit reserve: Account balance at valuation date
	Risk reserve: Discounted cashflow
Group life	UPR + IBNR
Group credit life	UPR + IBNR

HEIRS LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

4.5.1 Individual risk business

For all whole life and term assurance policies the gross premium method of valuation was used. This includes the life cover provider, family funeral provider and keyman cover provider.

The cashflow forecast technique was used to establish reserves, which took into consideration future office premiums, costs, and benefit payments (death and disability). At the valuation rate of interest, future cashflows were discounted back to the valuation date. Reserves were computed for each life covered by the various life products (i.e. family funeral provider).

4.5.2 Individual savings business

For all Savings business, unit and non-unit reserves have been held. Where fund is negative it has been set to zero, taking into account the minimum surrender value terms.

Non-unit reserves were computed using a cashflow projection of charges, costs, and benefit payments that exceeded fund balances (on death). At the valuation rate of interest, future cashflows were discounted back to the valuation date.

4.5.3 Company's business

The Company's business portfolio includes group life and group credit life.

An unexpired risk premium reserve was included for group life business, after deducting the loadings for initial expenses and profit. A test was performed to assess the need for an additional unexpired risk reserve (AURR) in the event of any inadequacies in the UPR for meeting claims in respect of the unexpired period. The claim rates underlying the AURR were based on pooled historical scheme claims experience.

An allowance was made for incurred but not reported claims (IBNR) in group life to take care of the delay in reporting claims. This was based on a loss ratio approach, where the underlying rates are based on an analysis of historical claims experience.

An unexpired premium reserve was held for credit life business, after deducting the initial expense and profit loadings. As a result of the high premium rates underlying the business, the UPR is expected to be sufficient to meet all future claim and expenses, including those relating to IBNR claims. Therefore a separate reserve for IBNR was calculated.

4.6 Process used to decide on assumptions

The assumptions used for the insurance contracts disclosed in this note are as follows:

4.6.1 Valuation interest rate

The valuation interest rate (VIR) is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon. Further the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

HEIRS LIFE ASSURANCE LIMITED**FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021****NOTES TO THE FINANCIAL STATEMENTS**

A net valuation interest rate of 12.83%pa (traditional products) was adopted for all businesses, applied as a single long term rate of return. The VIR is calculated based on the weighted average of gross redemption yield (GRY) on long term FGN Bond as at 31 December 2021.

For the purpose of determining the valuation interest rate on non-annuity business, we have considered a 0.05% deduction from the long term yield to arrive at a gross valuation interest rate of 12.28% p.a. This makes some allowance for the volatility of the "risk free" yields.

These are summarised in the table below:

Details	Current valuation
Assumed average yield based on long-term FGN bond	12.78%
Less prudent margin	0.05%
Gross valuation interest rate	12.83%
Net valuation interest rate	12.83%

The valuation interest rates for the individual risk products are as follows:

Details	Current valuation
Risk products (excluding annuity)	12.28%
Risk reserves for deposit-based policies	9.15%

4.6.2 Expenses

The Company makes provisions for expenditures in its mathematical reserves in an amount that is not less than the amount projected to be expended in satisfying its long-term insurance contracts. Claims handling expenditures must be viewed as ancillary to the fulfillment of insurance contracts.

Future maintenance expenses

The regulated maintenance expenditures are calculated by taking the best projected maintenance expenses and adding a prudence buffer for unexpected deviations. The best estimate for maintenance expenditures is the sum of the following:

- (a) Per policy maintenance charges
- (b) Allocated operating expenses

The Company's spending assumptions have been maintained based on a functional cost analysis completed by the Company based on experience, expense budgets, and predicted business volumes.

Type of Business	Current Valuation
Risk business including annuity	N5,000 per policy per p.a.
Savings Business	N5,000 per policy per p.a.
Supplementary benefits	N/A

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

4.6.3 Expense inflation

The above expenses are subject to inflation at 16% per annum. Consumer price inflation at December 2021 was 16%. The company anticipates an upward trend and consider the high levels witnessed over the last few months to be as a result of the harsh economy at the time and hence, not the true reflection of long-term future experience. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analyses are available.

4.6.4 Mortality

There has been no change to the mortality assumptions since the previous valuation. The mortality table for the current valuation remains at the UK's Mortality of Assured Lives 1967-70 (A6770) without adjustment for individual risk business. The industry analysis shows that the A6770 table appears prudent based on recent experience. Furthermore, the reserves are less sensitive to the mortality basis - with discount rate and expense being more dominant assumptions.

4.6.5 Withdrawals

The lapse assumptions were determined from an adjusted pricing basis.

4.6.6 Group life businesses

Unexpired premium reserves (UPR) are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred. The Company has used acquisition expense ratio of 20% of gross premium. Group life commission is commonly paid at 9% of premium. Other acquisition costs include a NAICOM (regulatory) fee of 1% of premium, payment of stamp duty and other administrative costs. The additional margin in the 20% assumption is an allowance for these other costs.

Unexpired premium reserves (UPR) are based on the risk premium only, after the removal of margins in respect of the initial expense and profit loadings. The following table summarises the margins removed in order to arrive at the risk premiums:

Group life	Commission	Overriding commission	Expenses	Profit	Total
Employee benefit	9.00%	0.00%	10.00%	2.50%	21.50%
Credit life-Single premium	10.00%	0.00%	1.50%	0.00%	11.50%
Credit life-Renewal premium	10.00%	0.00%	1.50%	0.00%	11.50%

The following average loss ratios were adopted for AURR estimation and IBNR reserving purposes, based on the group life coverage for 2021. The rates below are reflective of recent mortality investigation conducted on the group life business using the industry data.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

Group life	Current valuation
Average schemes	3.00%
Large private oil schemes	2.0 per mille
Federal Head of Service schemes	45% of premium
Schemes with missing sum at risk data	45% of premium

4.6.7 Reinsurance agreements

All reserves has been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

4.6.8 Insurance risks sensitivities

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the risk tolerance levels of the Company.

The table below shows the impacts of changes in key variables of the insurance liability valuation on the insurance liabilities. The sensitivity analysis was performed using the under-listed variables:

- Interest rate
- Expenses
- Expense Inflation
- Mortality

	Base	Interest rate +1%	Interest rate -1%	Expenses +10%	Expenses -10%	Expense Inflation +2%	Expense Inflation -2%	Lapses +10%	Lapses -10%	Mortality +5%	Mortality -5%
Individual Life Conventional	474,625,162	(56,063,237)	65,314,210	13,313,184	(13,082,337)	645,507	(639,367)	(11,903,408)	12,212,174	749,311	(746,402)
Individual Life Deposit Based	224,320,645	(251,088)	257,711	1,749,755	(1,749,255)	38,393	(38,305)	(214,029)	214,270	37,424	(37,444)
Pension Regulated Annuities	569,121,290	(29,311,140)	32,644,691	1,441,252	(1,441,252)	375,875	(361,881)	-	-	(2,545,660)	2,647,298
Total	1,268,067,097										

Mortality, morbidity and medical risks

Underwriting processes are in place to manage exposure to death, disability and medical risks. The most significant measures are:

- Premium rates are required to be certified by the statutory actuary as being financially sound.
- Regular realized loss ratio experience investigations are conducted and used to set premium rates.

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Individual insurance business

These are contracts providing benefits on death, disability, accident, medical events and survival that are sold directly to individuals. The company has minimal exposure to these risks.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management

The Company's operations subject it to a number of financial risks, including credit risk, liquidity risk, and market risk (including foreign exchange risks, interest risk and equity price risks). The entire risk management program of the Company attempts to minimize any negative consequences on the Company's financial performance.

5.1 Responsibility for risk management

Risk management is ultimately the responsibility of the board. The board's enterprise risk management committee has been tasked with evaluating the quality, integrity, and dependability of the Company's risk management systems.

- (i) The ERMCM provides executive oversight and review of the information presented by the Chief Compliance Officer.
- (ii) The Chief Executive Officer is accountable to the board for the management of risks facing the Company and is supported in the management of these risks by business unit executives and line management.
- (iii) The Risk Officer acts on behalf of the board and the board ERMCM & GC to provide guidance and oversight over the implementation of risk management processes in specialized risk disciplines as well as to coordinate risk reporting at corporate level.
- (iv) The asset managers provide specialized guidance to the board ERMCM & GC in respect of all investment strategies and the optimization of investment returns and the management of related risks.
- (v) The asset managers execute all investment related decisions in accordance with fund mandates and oversight from the board ERMCM & GC and the custodianship of all investments vests in nominee accounts managed by assets custodian.

5.2 Credit risk

Credit risk is the risk that one party to a financial instrument may cause the other party financial loss by failing to perform an obligation.

The Company accepts credit risk, which is the risk that one party may create a financial loss to the other party by failing to fulfill an agreement. There is no major concentration of credit risk in the Company. All debt investments are public debt investments made in conformity with the Company's goal.

Apart from government bonds, there is little rated paper in Nigeria's jurisdictions. Local investments done inside Nigeria's jurisdictions must be carried out with counterparties with strong credit ratings. There is no exposure to leveraged credit instruments, which are instruments in which exposure to a single business or a small group of companies might generate bigger losses throughout the portfolio than the proportionate share of the defaulting firm or entities.

Cash at banks, placements with financial institutions, treasury bills, FGN bonds, trade receivables, statutory deposit, other receivables, and reinsurance assets (i.e. reinsurers' share of insurance liabilities, amounts due from reinsurers for claims already paid) are the sources of the Company's credit risk exposure.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

The company's maximum credit risk exposure is as follows:

	31-Dec-21
	N'000
Cash and Cash Equivalents	275,531
Financial assets - FVTPL	6,975,688
Financial assets - Amortized Cost	587,687
Trade Receivables	330
Reinsurance Assets	19,602
Other Receivables	8,927
Statutory Deposits with CBN	800,000
	<u>8,667,765</u>

Prepayments and reinsurance prepaid was not included in the other receivables & prepayments and Reinsurance Assets lines respectively

5.2.1 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

All credit risk exposures (without taking into account any collateral held or other credit support) are maintained within Nigeria.

(b) Industry sectors

The Company is exposed to various industries as shown below:

	31-Dec-21			
	Financial institution	Government	Others	Total
	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	275,531	-	-	275,531
Financial assets - FVTPL	100,925	6,874,763	-	6,975,688
Financial assets - Amortized Cost	587,687	-	-	587,687
Trade Receivables	330	-	-	330
Reinsurance Assets	19,602	-	-	19,602
Other Receivables	-	-	8,927	8,927
Statutory Deposits with CBN	-	800,000	-	800,000
Total	<u>984,076</u>	<u>7,674,763</u>	<u>8,927</u>	<u>8,667,765</u>

Prepayments and reinsurance prepaid was not included in the other receivables & prepayments and Reinsurance Assets lines respectively. Other receivables include staff loan

5.2.2 Credit quality of financial assets

All of the company's financial assets are current and not past due. External credit ratings can be used to assess the credit quality of the company's financial assets that are neither past due nor impaired (Fitch Ratings Inc.). The danger of default is seen as minimal.

	31-Dec-21		
	A to BBB+	Unrated	Total
	N'000	N'000	N'000
Cash and Cash Equivalents	275,531	-	275,531
Financial assets - FVTPL	6,975,688	-	6,975,688
Financial assets - Amortized Cost	587,687	-	587,687
Trade Receivables	-	330	330
Reinsurance Assets	-	19,602	19,602
Other Receivables	-	8,927	8,927
Statutory Deposits with CBN	-	800,000	800,000
Total	<u>7,838,906</u>	<u>828,859</u>	<u>8,667,766</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

Prepayments and reinsurance prepaid was not included in the other receivables & prepayments and Reinsurance Assets line respectively.

5.3 Liquidity risk

Liquidity risk is the risk that the firm will not have the financial resources to satisfy its commitments when they come due, or that it will have to meet the obligations at an exorbitant cost. This risk might be caused by misalignments in the timing of cash flows. In severe cases, a shortage of liquidity may result in decreases in the statement of financial position and asset sales, as well as an inability to meet policyholder promises. The risk that the Company will be unable to do so is inherent in all insurance operations and can be influenced by a variety of institution-specific and market-wide events such as credit events, merger and acquisition activity, systemic shocks, and natural catastrophes, among others.

All policyholder funds are invested in appropriate assets in order to fulfill policyholders' reasonable benefit expectations, which include the assumption that funds would be available to pay out benefits as required under the policy contract. The carrying amount in the statement of financial position is used to determine the value of policyholders' liabilities and the assets that support them.

The Company is exposed to market risk through the use of financial instruments and specifically to foreign exchange risks and equity price risks.

5.4.1 Foreign exchange risks

The company holds very minimal assets denominated in currencies other than the functional currency. The exchange rate ruling at the date of preparation of the financial statement is used to ascertain the net position of the foreign currency. The financial unit monitors the Company's foreign currency position on a monthly basis.

	Year 2021		
	Foreign Currency	Naira Equivalent	Exchange Rate
USD	3,479	1,515,170.25	435
Euro	573	266,840.37	466
GBP	150	83,253	555
Note 6		<u>1,865,263.62</u>	

Changes in exchange rates relative to these foreign currency balances will not have material impact in the financial statements.

5.4.2 Interest rate risks

The Company is exposed to interest rate risk as a result of variations in market interest rates. The interest-bearing assets and liabilities of the company subject it to interest rate risk. The Company controls interest rate risk by integrating financial assets with maturities of less than 12 months in its portfolio of financial assets. Short-term bank deposits, treasury bills, and bonds are examples of such financial assets.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

5.5 Capital management

Heirs Life Insurance Limited seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis and taking appropriate actions to influence the capital position of the company in the light of changes in economic conditions and risk characteristics. An important aspect of the company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the company is focused on the creation of value for shareholders.

The Company's primary source of capital includes its equity shareholders' funds. Heirs also utilizes adequate and efficient reinsurance arrangements to protect shareholders' funds by reducing the need for further funding following unfavorable events such as catastrophes or large claims through treaty and facultative reinsurance arrangements.

The Company's monthly management accounts are subjected to models which simulate the actuarial process so that the board is continually aware of the actuarial consequences of the Company's financial results. This process, inter alia, ensures that the maintenance of regulatory minimum capital is constantly monitored.

The Company has developed a framework to identify the risks and quantify their impact on the economic capital. The framework estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The framework has also been considered in assessing the capital requirement.

Insurance industry regulator measures the financial strength of non-life insurers using a solvency margin model. This test compares insurers' capital against the risk profile. Section 24 (1) of the Insurance Act, 2003 requires that an insurer shall in respect of its business other than its life insurance business, maintain at all times a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria. The solvency margin shall not be less than 15 percent of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid-up capital which ever is greater. During the year, each entity in the Company has complied with this capital requirement. The regulator has the authority to request more extensive reporting and can place restrictions on the operations of any entity in the Company if it falls below this requirement as deemed necessary.

The Company is required to maintain a minimum regulatory capital base of N2 billion by

	31-Dec-21
	N'000
Maximum Regulatory Capital	2,000,000
Maximum authorized share capital	8,000,000
Paid up share capital	8,000,000

The key objectives of the Company's capital management programme are as follows:

- (i) To maintain an optimal level of capital in the most cost efficient way. This is achieved through balancing the needs of the regulators and the policyholders;
- (ii) To manage the levels of capital across the Company to keep them in line with the long term capital requirements of the Company;
- (iii) That the level of capital reflects the Company's risk appetite;
- (iv) To optimise the level of capital, the investment of capital and the future use of the capital for the benefits of all stakeholders; and
- (iv) To ensure that there is sufficient capital available for profitable business growth.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

5.5.1 Credit quality of financial assets neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates:

Internal credit rating system

Ratings Bucket	Description			Rating of scores	Probability of default
AAA	Extremely low score	1	1.00 - 1.99	90-100%	1%
AA	Very low risk	2	2.00- 2.99	80 -89%	1%
A	Low risk	3	3.00 - 3.99	70-79%	1.50%
BBB	Low risk	4	4.00 - 4.99	60 - 69%	2%
BB	Acceptable - Moderately high risk	5	5.00 - 5.99	50 - 59%	4%
B	High risk	6	6.00- 6.99	40-49%	6%
ccc	Very high risk	7	7.00 - 7.99	30- 39%	9%
cc	Extremely high risk	8	8.00 - 8.99	10-29%	13%
cc	High likelihood of default	9	9.00 - 9.99	0-9%	
D	Default risk	10			
D	Sub- Standard				25%
D	Doubful				50%
D	Lost				100%

5.5.2 Management of credit risk

The Board of Directors is responsible for oversight of the Entity's credit risk, including

- Formulating credit policies for the entity, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities, Authorisation limits are allocated to the Board of directors as appropriate.
- Reviewing and assessing credit risk in all credit exposure prior to making customers, Renewals and reviews of facilities are subject to the same review process
- Developing and maintaining the entity criteria for categorising exposures, and to focus management on the attendant risks. The responsibility for approving and reviewing the Risk Assets Acceptance criteria and credit risk policy lies with the Board of Directors
- Reviewing compliance of with exposure and concentration limits and promotion of best practices throughout the entity in the mangment of credit risk.

Credit Risk Measurement

The Entity undertakes lending activities after careful analysis of the borrower's general character, capacity to repay existing policy buffer, cashflow, credit history, organisational/management quality, financial condition, market position, business operations, industry and other factors. The entity acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as result, applies different parameters to adequately dimension the risks in each business segments.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

The Entity rating grades are defined by the Board of Directors, covering all the Entity's credit exposure to individual policyholders, corporate, commercial, conglomerates and multinationals. Obligor rating in the Entity is handled by the underwriting manager with further review by the Risk Manager before it goes through the approval process.

The Entity operational measurements for credit risk are in conformity with the impairment under the applicable reporting standard IFRS 9, and are based on losses that are expected to be incurred at the date of statement of financial position, that is the "expected loss model" rather than "incurred losses".

The Entity has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk at a counterparty level, the company considers three components: (i) the "probability of default" (PD) by the clients or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the company derives the 'Exposure at default' (EAD) and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended when necessary for effectiveness.

For debt securities, external ratings such as GCR, Moody's Augusto & co, Fitch, S&P ratings or their equivalents are used by Risk Management department for managing of the credit risk exposures as supplemented by the Entity's own assessment through the use of internal rating tools.

5.6 Fair value of financial assets and liabilities

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Level 3: Inputs, for the asset or liability, that are not based on observable market data.

5.7.1 Financial instruments measured at fair value

The table below analyses financial instruments and other assets and liabilities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Company			
	31-Dec-21			
	Level 1	Level 2	Level 3	Total balance
	N'000	N'000	N'000	N'000
Carried at FVTPL:				
Financial assets - FVTPL	6,975,688	-	-	6,975,688
Carried at amortized cost:				
Cash and Cash Equivalents	-	275,531	-	275,531
Financial assets - Amortized Cost	-	587,687	-	587,687
Trade Receivables	-	330	-	330
Reinsurance Assets	-	110,780	-	110,780
Other Receivables	-	186,391	-	186,391
Statutory Deposits with CBN	-	800,000	-	800,000
	<u>6,975,688</u>	<u>1,960,720</u>	<u>-</u>	<u>8,936,407</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

5.8 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. The Management believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities. The underlying judgments of the selection and disclosure of the Company's critical accounting policies and estimates, and the application of these policies and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements made in applying the Company's accounting policies include:

(i) Actuarial valuation of insurance contracts liabilities

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type and nature of the insurance contracts. Assumptions such as expenses inflation, valuation interest rate, mortality and claims experience are considered in estimating the required reserves for individual life contracts fund and the incurred but not reported claims under the company life contracts.

Key assumptions

The key assumptions used in the valuation are as follows:

Individual life business

Valuation interest rate

The Company estimated its valuation interest rate by incorporating some adjustments to current market risk-free yield curves. This risk free yield curve used was sourced from FMDQ Daily Quotation List as at 31 December 2021.

Mortality

The UK's Mortality of Assured Lives 1967-70 was used. This is consistent with the 2021 valuation reports.

Lapse rates

The was no change in valuation rates which were based on adjusted pricing basis method.

Expenses

The Company's actuary maintained the expenses amount which were determined based on the Functional Cost Analysis performed by the Company, based on experience, expense budgets and expected business volumes.

Expense inflation

The Company's actuary applied an inflation assumption rate which considered an expected fall of the Consumer Price Inflation index and better efficiency in Company's operations.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

(ii) Expected credit loss

The measurement of the ECL allowance for financial assets measured at AC and FVOCI is an area that 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).

(iii) Depreciation and carrying value of property and equipment

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.

Determination of impairment of property and equipment, and intangible assets

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

(iv) Recognition of deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- a. temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- b. temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

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. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

(v) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Company.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

Maturity analysis (contractual undiscounted cashflow basis)

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Undiscounted contractual cash flows- 31-Dec-2021						
	Carrying amount N'000	Gross nominal N'000	0 - 3 months N'000	3 - 6 months N'000	6 - 9 months N'000	9 months - 1 year N'000	>1 year N'000
Investment contract liabilities	194,831	194,831	-	-	19,483	-	175,348
Trade payables	91,418	91,418	91,418	-	-	-	-
Other payables and accruals	116,591	116,591	116,591	-	-	-	-
Total financial liabilities	402,840	402,840	208,009	-	19,483	-	175,348
Cash and cash equivalents	275,531	277,785	277,785	-	-	-	-
Financial assets at amortised cost	588,791	596,967	-	596,967	-	-	-
Financial assets at fair value through profit or loss	6,975,689	8,961,818	-	-	-	-	8,961,818
Trade receivables	330	330	330	-	-	-	-
Other receivables	186,391	186,391	-	-	-	186,391	-
Reinsurance assets	19,602	19,602	-	-	19,602	-	-
Statutory deposit	800,000	800,000	-	-	-	-	800,000
Total financial assets	8,846,335	10,842,894	278,115	596,967	19,602	186,391	9,761,818
Net financial assets	8,443,495	10,440,054	70,106	596,967	119	186,391	9,586,470
Insurance contract liabilities	1,516,247	1,516,247	-	125,774	-	129,937	1,260,536
Net policyholders' assets/(liabilities)	6,927,248	8,923,807	70,106	471,193	119	56,453	8,325,934

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months period
ended
31/12/2021
N'000**

6 Cash and cash equivalents

Cash & bank balances - Local	165,159
Cash & bank balances - Foreign	1,865
Placements with banks	108,507
	275,531

Cash and cash equivalents

Current Asset	275,531
Placement with banks are held for less than 90day	

7 Investment Securities valued at FVTPL

Treasury bills (see note 7a)	5,985,976
FGN bonds (see note 7b)	888,788
Corporate bonds (see note 7c)	100,924
	6,975,688

Treasury bills

Current	1,678,676
Non Current	4,307,300
	5,985,976

FGN Bonds

Non Current	888,788
-------------	----------------

7a Treasury bills Movement

Additions	6,351,651
Fair value gain	65,043
Maturities	(430,718)
Treasury bills as at 31 December	5,985,976

7b FGN bond movement

Additions	909,131
Fair value gain	(20,343)
Balance as at 31 December	888,788

7c Corporate bond movement

Additions	101,244
Fair value gain	(319)
Bond as at 31 December	100,925
Non Current	100,925

8 Investments carried at amortised cost

Money market placement (see note 8a)	588,791
Provision for expected credit losses (ECL) allowance (see note 8b)	(1,104)
	587,687
Non Current	587,687

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months period
ended
31/12/2021
N'000**

8a Money market placement

Additions	577,099
Interest income	63,892
Maturities	(52,200)
Placements as at 31 December	<u>588,791</u>

8b Movement in expected credit losses

Charged during the year (see note 34)	<u>(1,104)</u>
Closing balance	<u>(1,104)</u>

9 Trade receivables

<i>Due from brokers & insurance companies (see note 9a)</i>	<u>330</u>
Current	<u>330</u>

9a Due from brokers & insurance companies

<i>0-30days</i>	<u>330</u>
	<u>330</u>

10 Reinsurance assets

Reinsurance share of outstanding claims	4,205
Reinsurance share of IBNR	22,891
Prepaid reinsurance	85,562
Reinsurance share of DAC	(21,480)
Reinsurance assets as per actuarial valuation (see note 10a)	91,178
Reinsurance Share of Claims paid	29,139
Less impairment	<u>(9,536)</u>
	<u>110,780</u>
Current	<u>110,780</u>

HEIRS LIFE ASSURANCE LIMITED
 FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
 NOTES TO THE FINANCIAL STATEMENTS

13 months period
 ended
 31/12/2021
 N'000

11 Right of use asset	
Balance as at 1 January	
Additions during the year	799,767
Balance as at 31 December	799,767
Accumulated depreciation	
Balance as at 1 January	
Charge for the year	90,569
Balance as at 31 December	90,569
Carrying amount:	
Balance as at 31 December	709,198
Non current	709,198
<p>The Right of Use asset relates to Lease of Office Building classified in line with provision of IFRS 16-Lease. The actual cash payment amounted to N 493,5462,695 for a lease duration of five years.</p>	
12 Other receivables & prepayments	
Prepayments (see note 12a)*	177,464
Other receivables (see note 12b)**	9,499
Allowance for impairment on other receivables (see note 12c)	(572)
	186,391
Non current	186,391
<p>* Prepayments consist of prepaid rent and prepaid IT expenses ** Other receivables consist of sundry debtors, staff advances and cash advances</p>	
12a Prepayments	
Additions during the year	297,943
Amortization during the year	(120,479)
Balance as at 31 December	177,464
12b Other receivables	
Additions during the year	9,499
Balance as at 31 December	9,499
12c Impairment charges on other receivable	
Movement during the year	(572)
Balance as at 31 December	(572)
13 Deferred acquisition cost	
Movement in DAC	5,731
Reinsurance asset	21,480
DAC Closing Balance	27,210
Current	27,210
14 Statutory deposits	
Deposits with CBN	800,000
Non current	800,000

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months period
ended
31/12/2021
N'000**

This represents amounts deposited with the Central Bank of Nigeria (CBN) pursuant to the Insurance Act. The deposits are not available for use by the Company in the normal course of day to day business. As required in the insurance Act, N3.2Billion was refunded to the company during the year leaving N800 million representing 10% of the the paid up share capital.

HEIRS LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL

15 *Property and equipment*

Cost:	Motor	Computer	Office	Office	Total
	vehicles	Equipment	Furniture & Fittings	Equipment	
	N'000	N'000	N'000	N'000	N'000
<i>Additions during the year</i>	26,850	27,397	111,387	5,110	170,744
Balance as at 31 Dec 2021	26,850	27,397	111,387	5,110	170,744
Accummulated					
Depreciation:					
<i>Charge for the year</i>	4,475	2,558	14,125	457	21,615
Balance as at 31 Dec 2021	4,475	2,558	14,125	457	21,615
Carrying Amount:					
Balance as at 31 Dec 2021	22,375	24,839	97,262	4,652	149,129

16 *Intangible assets*

Cost:	Software
<i>Additions during the year</i>	181,549
Balance as at 31 Dec 2021	181,549
Accummulated Amortisation	
<i>Charge for the year</i>	18,188
Balance as at 31 Dec 2021	18,188
Carrying Amount:	
Balance as at 31 Dec 2021	163,361

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months
period ended
31/12/2021
N'000**

17 Trade payables

Reinsurance payable	65,981
Deposit premium	25,437
	<u>91,418</u>
Current	<u>91,418</u>

The reinsurance payable relates to amount of premium ceded, payable to reinsurance as at the end of the year.

18 Provision & other payables

Audit fees	10,000
Acturial fees	2,500
Directors emolument	8,000
Professional fees	5,500
NAICOM levy	25,000
Stamp duty	2,000
Due to related company	38,274
Other payables*	25,317
	<u>116,591</u>
Current	<u>116,591</u>

*Other payable amount relates to provisions made for expenses incurred but yet to be paid for. The account comprises mainly of allowance payable to the company's retail agents.

19 Insurance contract liabilities

Outstanding claims (see note 19b)	47,313
Life Insurance Liability (see note 19c)	870,323
Annuity Liability (see note 19d)	569,121
Life Savings Fund - Risk Reserve	29,491
Total	<u>1,516,247</u>
Current	<u>1,516,247</u>

See breakdown below in (note 19a) below

19a Insurance contract liabilities

Outstanding claims reported see note 19b(i)	47,313
Life Insurance Fund	504,116
Outstanding claims IBNR	92,881
Unearned premium reserve	302,817
Annuity fund	569,121
	<u>1,516,247</u>

19b Outstanding claims

0-90 days	26 Claimants	37,411
91-180 days	2 Claimants	700
181-270 days	2 Claimants	8,986
271-365 days	1 Claimant	216
Over 366 days	NIL	-
		<u>47,313</u>

All fully documented claims with executed discharge vouchers are paid immediately.

The outstanding claims relate to those claims with incomplete or lack of documentations, awaiting executed discharge vouchers and awaiting conclusion from lead underwriters.

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

	13 months period ended 31/12/2021 N'000
19b(i) Outstanding claims	
Group Life	43,091
Credit Life	4,222
	<u>47,313</u>
19b(iii) Outstanding claims	
Additions during the year	163,969
Paid claims (see note 30a)	(116,656)
Closing balance	<u>47,313</u>
19c Life insurance liability	
Life Insurance Fund (see note 19c(i))	474,625
IBNR Reserves (see note 19c(ii))	92,881
UPR (see note 19c(iii))	302,817
	<u>870,323</u>
19c(i) Life insurance fund	
Increase from actuarial valuation	474,625
Closing balance	<u>474,625</u>
19c(ii) IBNR reserves	
Changes during the year	92,881
Closing balance	<u>92,881</u>
19c(iii) UPR	
Changes during the year (see note 26(b))	<u>302,817</u>
Closing balance	<u>302,817</u>
19d Annuity liability	
Opening balance	-
Changes during the year (see note 29)	569,121
Closing balance	<u>569,121</u>
20 Investment contract liabilities	
Investment funds (see note 20a)	
Current	<u>194,831</u>
20a Investment funds	
Contributions during the year	205,192
Withdrawal	(11,909)
Guaranteed interest	1,548
Closing balance	<u>194,831</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months
period ended
31/12/2021
N'000**

21 Lease liability	
Additions during the year	309,018
Lease expense	34,921
Balance as at 31 Dec 2021	<u>343,939</u>
Non Current	<u>343,939</u>
22 Income taxes	
Income tax based on the taxable profit/loss for the year	(532)
Income tax expense	<u>(532)</u>
Income tax payable	532
Balance as at 31 Dec 2021	<u><u>532</u></u>
23 Ordinary share capital	
<i>i</i> Authorised share capital	
Number of ordinary share ('000)	<u>8,000,000</u>
<i>ii</i> Paid up share capital	
Paid up share capital of N8.0b ordinary shares of ₦1.00 each	<u>8,000,000</u>
24 Contingency reserve	
At 1 January	-
Transfer from retained earnings	26,995
At 31 December	<u><u>26,995</u></u>
25 Retained earnings	
At 1 January	-
Transfer to contingency reserves (note 24)	(26,995)
Loss for the period	(278,252)
At 31 December	<u><u>(305,247)</u></u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

	13 months period ended 31/12/2021 N'000
26 Gross written premium	
Direct premium income (see note 26a)	2,699,478
Changes in unearned premium (see note 26b)	(302,817)
Gross premium earned	<u>2,396,661</u>
26(a) Direct premium income	
Individual life	676,227
Group life	922,613
Annuity	672,818
Credit life	427,820
Total gross premium earned	<u>2,699,478</u>
26(b) Changes in unearned premium	
Gross unearned premium	(302,817)
	<u>(302,817)</u>
27 Reinsurance expenses	
Outward reinsurance (see note 27a)	(301,778)
Prepaid reinsurance	85,562
	<u>(216,216)</u>
27(a) Outward Reinsurance	
Treaty reinsurance	(104,189)
Facultative reinsurance	(197,589)
	<u>(301,778)</u>
27(b) Reinsurance expense paid	
Reinsurance expense	(301,778)
Less reinsurance payable	65,981
	<u>(235,797)</u>
28 Fees and commission income	
Commission received-local fac	73,109
	<u>73,109</u>
Commission income are recognised over time upon placement of local fac by the company.	
29 Changes in Insurance Funds	
Changes in Insurance Fund (see note 19c(i))	<u>(474,625)</u>
Changes in Annuity Fund	<u>(569,121)</u>
30 Claims expenses	
Claims paid (see note 30a)	(116,656)
Changes in outstanding claims (see note 19b(ii))	(47,313)
Changes in IBNR (see note 30b)	(92,881)
	<u>(256,849)</u>
30a Claims paid expenses	
Group life	(102,420)
Annuity	(14,236)
	<u>(116,656)</u>
30b Changes in IBNR reserve	
IBNR - Group Life	(92,881)
	<u>(92,881)</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

	13 months period ended 31/12/2021 N'000
31 Reinsurance recoveries on claims	
Reinsurance share of claims paid	29,139
Reinsurance share of outstanding claims	4,205
Reinsurance share of IBNR	22,891
	<u>56,234</u>
32 Underwriting expenses	
Commission incurred (see note 32a)	(198,652)
Movement in DAC (see note 13)	5,731
Acquisition expenses	(192,922)
Maintenance expenses	(145,539)
	<u>(338,461)</u>
32a Commission Incurred	
Individual life	(75,242)
Group life	(77,437)
Credit life	(45,973)
	<u>(198,652)</u>
33a Investment & other income	
Interest income on financial assets	579,248
Income on deposits with credit institutions	46,213
	<u>625,461</u>
33b Interest received	
Interest income on financial assets	579,248
Income on deposits with credit institutions	46,213
	625,461
Less accrued interest	(120,901)
	<u>504,560</u>
34 Profit/(loss) on investment contracts	
Investment income from investment contract liabilities	16,432
Guaranteed interest*	(1,548)
	<u>14,884</u>
*Guaranteed interest rate paid to policy holders ranges from 0.25% - 0.75% plus effective SDR	
35 Net fair value gain on financial assets (see note 35a)	<u>44,381</u>
35a Treasury bills	65,043
Corporate bond	(319)
FGN bond	(20,343)
	<u>44,381</u>
36 Other Income/(expenses)	
Unrealised exchange loss	(160,637)
interest income on call account	996
	<u>(159,641)</u>
37 Impairment (loss) on financial asset	
ECL impairment on financial assets	<u>(1,104)</u>
38 Specific impairment loss on other assets	
Impairment - Other assets	<u>(10,108)</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months period
ended
31/12/2021
N'000**

39 Staff cost	
Employee benefit	(431,164)
Other personnel cost	(78,573)
	<u>(509,736)</u>
40 Management expenses	
Travel & Entertainment	(27,520)
Rental & Administration	(27,909)
Depreciation & amortisation	(39,803)
Amortisation of leased property	(90,569)
Auditors remuneration	(11,000)
Lease expense	(37,699)
Legal & Professional Fees	(162,168)
Regulatory and levy expenses	(198,772)
Marketing & Advertising	(127,388)
IT expenses	(54,132)
Administrative expenses	(175,630)
	<u>(952,589)</u>

PWC did not render any non-audit service to the company during the year.

Related party transactions

During the year, Heirs Life Assurance Ltd. entered into commercial transaction with related parties which were carried out at arms length. The transactions/balances in respect of related party transaction as at reporting date are set out below:

TRANSACTIONS

(a) With Key Management Personnel:

The Company's key management personnel and immediate family members are also considered to be related parties. The definition of related parties includes the close family members of key management personnel and any entity over which key management personnel have been identified as the directors of the Company.

(a(i)) Other Receivables:

	2021
	N'000
Loan to key management personnel	8,072
	<u>8,072</u>

(b) Gross Written Premium:

Heirs Holdings Ltd	3,290
Heirs Oil & Gas Ltd	16,498
Heirs Insurance Ltd	3,136
United Capital Plc	4,072
Africa Prudential Plc	2,632
Avon HMO	5,061
	<u>34,689</u>

(c) Investment Advisory & Custodial Fees to:

United Capital Plc	5,524
	<u>5,524</u>

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

**13 months period
ended
31/12/2021
N'000**

(d) Medical Expenses paid to Avon HMO	12,172
	<u>12,172</u>
(e) Expenses	
Heirs Insurance Limited (HIL)*	38,274
	<u>38,274</u>

*This relates to expenses paid by HIL on behalf of Heirs Life Assurance

II ACCOUNT BALANCES

(f) Placements	
UCAP Wealth Management	582,283
UCAP Asset Management	6,486
	<u>588,769</u>

Analysis of staff salaries

	2021
	Number
Senior Management	8
Middle Management	22
Other staff members	13
	<u>43</u>

ii Number of Employees (excluding Directors) in each range of emoluments (excluding pension contribution and certain benefits)

	Numbers
N500,000 - N9,999,999	12
N10,000,000 - N19,999,999	25
Above N20,000,000	6
	<u>43</u>

Managers of the Company (including the highest paid manager) whose remuneration in respect of services to the Company is within the following range:

iii Analysis of staff cost	%	
Senior management	33%	107,189
Middle management	54%	176,385
Other staff members	13%	41,632
	<u>100%</u>	<u>325,207</u>

Managers excludes Directors (executive and non-executive). The compensation paid to managers for services is as shown above.

(g) Directors' Emoluments	
Remuneration paid to the directors of the Company was as follows:	N000
Chairman	5,000
Non-Executive Directors/Independent Director	61,423
Executive Directors Salaries	109,766
	<u>176,189</u>

(h) Other allowances paid to the Chairman	<u>10,250</u>
---	---------------

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

41 Solvency Margin	Admissible N'000	Inadmissible N'000	Total N'000
Cash and Cash Equivalents	275,531	-	275,531
Financial Assets at FVTPL	6,975,688	-	6,975,688
Financial Assets at Amortised cost	-	587,687	587,687
Trade Receivables	330	-	330
Reinsurance Assets	110,780	-	110,780
Right of Use Asset	-	709,198	709,198
Other Receivables & Prepayments	-	186,391	186,391
Deferred Acquisition Cost	27,210	-	27,210
Statutory Deposits with CBN	800,000	-	800,000
Property, Plant and Equipment	149,129	-	149,129
Intangible Assets	163,361	-	163,361
Total Admissible Assets (a)	8,502,029	1,483,276	9,985,305
Less: Admissible liabilities			
Trade Payables	91,418	-	91,418
Provisions & Other Payables	116,591	-	116,591
Insurance Contract Liabilities	1,516,247	-	1,516,247
Investment Contract Liabilities	194,831	-	194,831
Lease Liability	-	343,939	343,939
Current income tax	532	-	532
Total Admissible Liability (b)	1,919,620	343,939	2,263,558
Solvency Margin (a-b)	6,582,410	1,139,338	7,721,747
Gross premium income	2,396,661		
Less: Reinsurance expenses	(216,216)		
Net premium income	2,180,445		
Subject to higher of:			
15% of net premium income or	327,067		
Minimum capital requirement	2,000,000		
Gross solvency ratio	329%		

HEIRS LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS FOR THIRTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS

	Policy Holders Fund - Insurance Contract N'000	Policy Holders Fund - Investment N'000	Annuity N'000	Share Holders Fund N'000	Total N'000
42 Hypothecation					
Cash and Cash Equivalents	47,600	3,000	18,005	206,926	275,531
Financial assets - FVTPL	898,660	191,842	647,355	5,237,831	6,975,688
Financial assets - Amortized Cost				587,687	587,687
Trade Receivables	-	-	-	330	330
Reinsurance Assets	110,780				110,780
Right of Use Asset				709,198	709,198
Other Receivables & Prepayments				186,391	186,391
Deferred Acquisition Cost				27,210	27,210
Statutory Deposits with CBN				800,000	800,000
Property, Plant and Equipment				149,129	149,129
Intangible Assets				163,361	163,361
TOTAL ASSETS	1,057,040	194,842	665,360	8,068,063	9,985,305
Liabilities					
Trade Payables				91,418	91,418
Provisions & Other Payables				116,591	116,591
Insurance Contract Liabilities	947,126		569,121		1,516,247
Investment Contract Liabilities		194,831			194,831
Lease Liability				343,939	343,939
Income Tax Payable				532	532
Deferred Tax Liability					
TOTAL LIABILITIES	947,126	194,831	569,121	552,480	2,263,558
SURPLUS	109,914	11	96,239	7,515,583	7,721,747

**HEIRS LIFE ASSURANCE LIMITED
OTHER NATIONAL DISCLOSURE
VALUE ADDED STATEMENT**

	31/12/2021	%
	N'000	
Net Premium Income	2,180,445	584%
Investment Income	625,461	167%
Other Income/expenses	(115,260)	-31%
Claims incurred, commissions paid and operating expenses (local)	<u>(2,317,050)</u>	<u>-620%</u>
Value added	<u>373,595</u>	<u>100%</u>
Applied to pay:		
Employee benefit expense	509,736	141%
Government taxes	532	0%
Retained in the business:		
Depreciation of property and equipment	21,615	6%
Depreciation expense on right-of-use asset	90,569	25%
Amortisation of intangible assets	18,188	5%
Loss accumulated in the business	<u>(278,252)</u>	<u>-77%</u>
Value added	<u>362,388</u>	<u>100%</u>