Sti@25

...Since 1995

Let us make and mark the future together
as we unveil our 25th Anniversary logo.

VISION

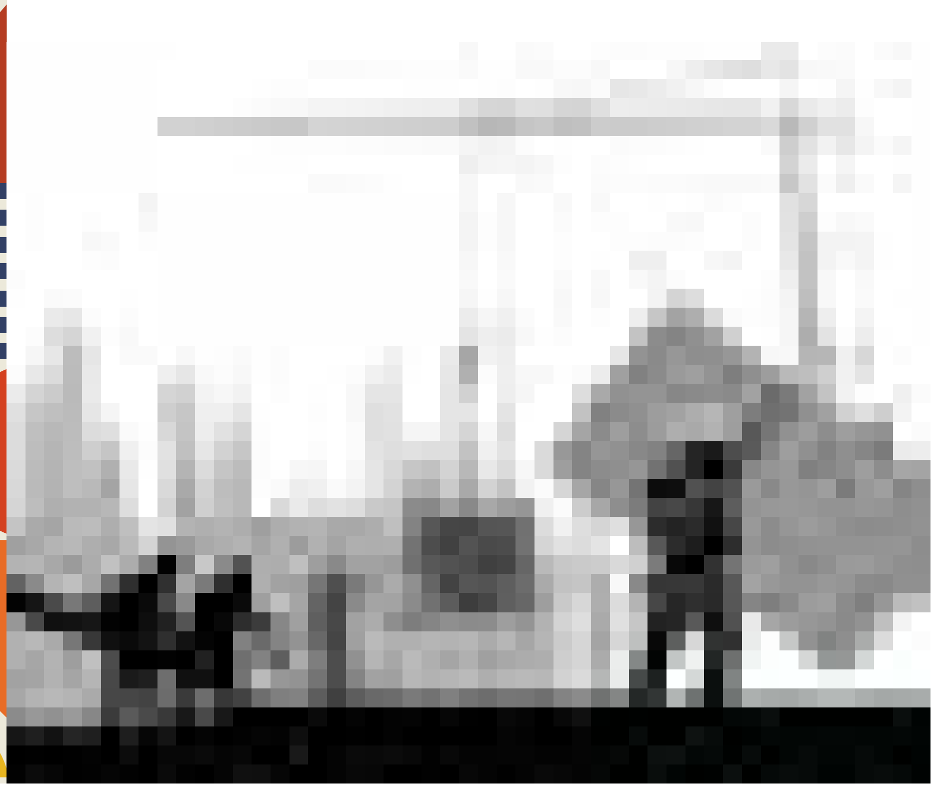
To be a leading brand, providing insurance and financial services of global standards.

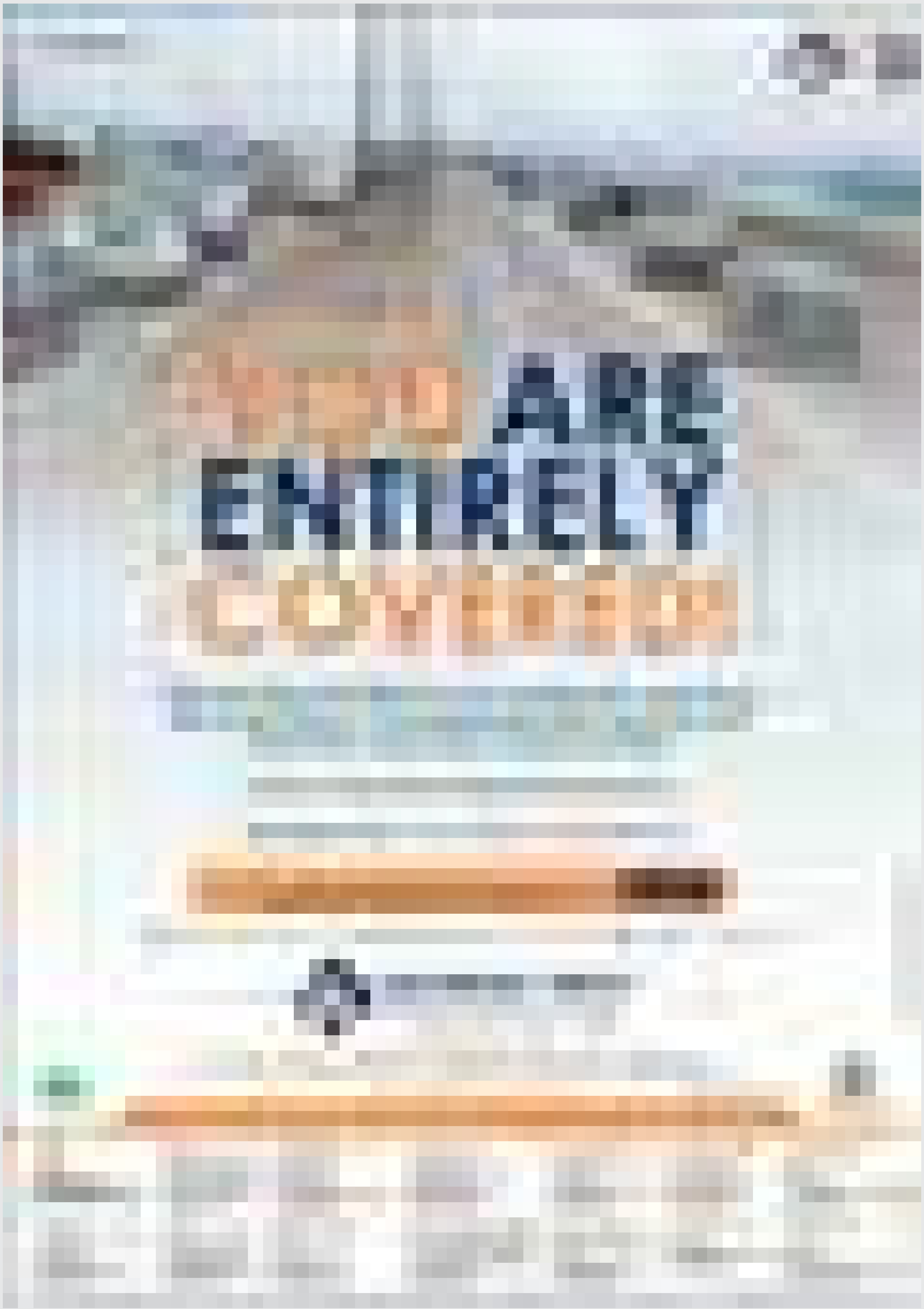
MISSION

To enhance the everyday life of our customers through innovative insurance and financial services while creating exceptional value for our shareholders.

Core Values

Superior Customer Service
Innovation
Professionalism
Integrity
Empathy
Team Spirit




ARE
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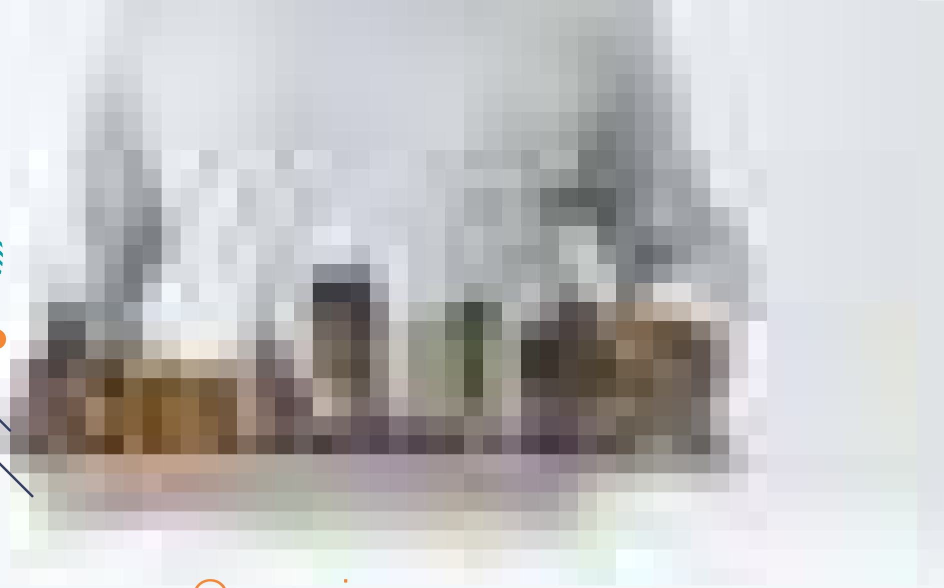
Inside



Company Overview

Setups

Strategies

Facts & Figures

Other National Disclosures

Processes

Business History

Business History

Sovereign Trust Insurance Plc commenced business on January 2, 1995 as a non-life insurer following the acquisition and recapitalization of the then Grand Union Assurances. The Company became a Public Limited Company (Plc) on April 7, 2004 and was listed on The Nigerian Stock Exchange on November 29, 2006.

Following the recapitalization exercise in 2006, STI merged with three other insurers (Coral International Company Limited, Confidence Insurance Plc and Prime Trust Insurance Limited) and met the new minimum capital requirement of ₦3Billion on February 28, 2007 and thus became a larger entity in its operations and Branch network.

STI today is a well-known general insurance underwriter operating from twelve (12) offices strategically located across Nigeria. The Company was rated A- in 2019 by the Global Credit Rating (GCR) based on its claims-paying ability, capital adequacy ratio, favourable underwriting track record, which is also influenced by low loss ratio as well as the Company's maintenance of a resilient brand in the fragmented and highly competitive Nigerian Insurance Market.

Currently, our authorized share capital is **₦7.5Billion divided into 15Billion units of 50 kobo per share.** We have a fully paid-up capital of **₦5.68Billion and Shareholders' funds of over ₦7.7Billion.** The ownership of the company is made up of diverse shareholders from wide range of individuals and institutional investors with a robust Board of Directors of distinguished personalities. Our asset base is also over ₦13.4 Billion.

Going forward, the Company plans to be ranked among the top five in the Insurance Industry in the next three to five years in terms of Gross Premium Written, Asset Base, Capitalization, and profitability.

The Board of Directors of the Company is made up of reputable individuals that have distinguished themselves in different fields of endeavor. The Head Office is located on 17, Adetokunbo Ademola Street, Victoria Island, Lagos with Area and Branch offices spread across the country, while the day-to-day operations are manned by well experienced and vibrant workforce.

PRODUCTS AND SERVICES

Sovereign Trust Insurance Plc. prides herself in providing specialized insurance covers which include: Personal Accident Insurance, Motor Insurance, Fire and Special perils Insurance, Burglary Insurance, Engineering Insurance/ Bond, Marine Insurance, Aviation Insurance, Contractors All Risk Insurance, Group Personal Accident Insurance, Goods in transit Insurance, Fidelity Guarantee Insurance, Money Insurance, Professional Indemnity, Builders Liability

Insurance, Workmen's Compensation, Industrial All Risk Insurance, Healthcare Professional Indemnity, Enhanced Third Party (E3P), Sovereign Wellbeing Insurance Scheme for the Family (SWIS-F), Comprehensive Homeowners/House holders, Electronic Equipment Insurance, Energy insurance, Machinery Breakdown Insurance and others.

Our products and services have been packaged for marketing to the public sector as well as various manufacturing, industrial and commercial concerns. Financial institutions such as banks, mortgage and stock broking firms are also being offered some of these products.

We also provide comprehensive risk management services. The company carries out various risk surveys and makes appropriate recommendations towards risk improvement and minimization of loss impacts.

INTERNATIONAL RATING

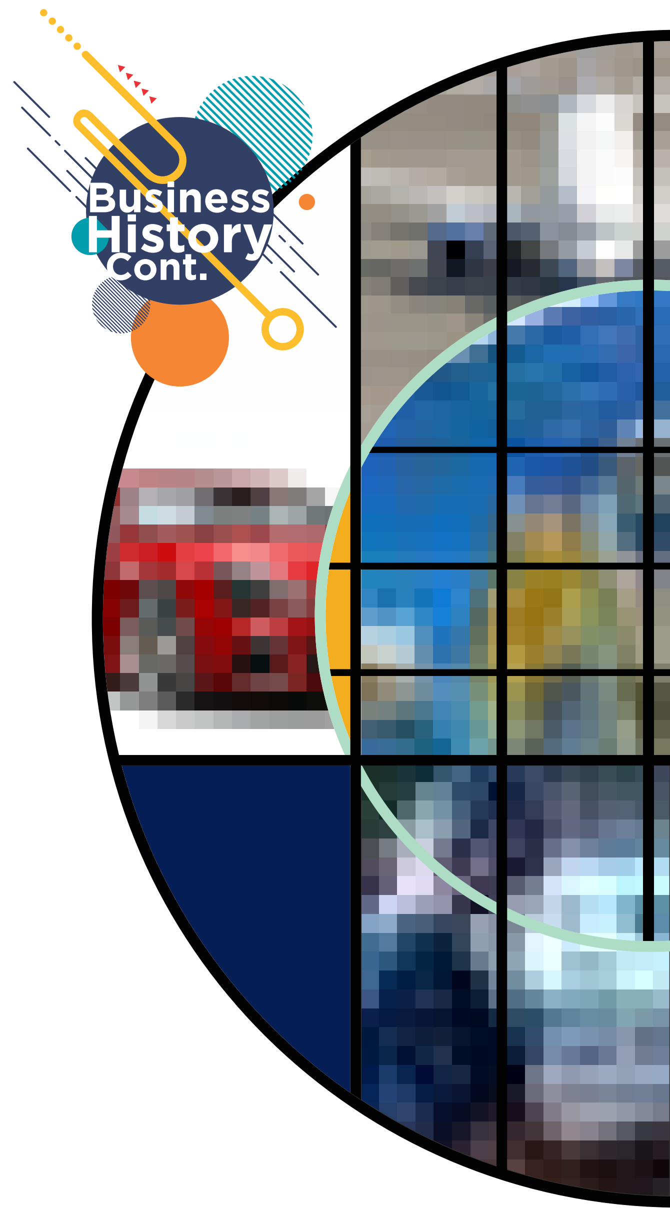
Our continued success over the years saw the company's performance ranked among the top players in the insurance industry having enjoyed an A- rating since 2007 up to date by Global Credit Rating (GCR). The A- rating attests to the company's high claims paying ability in the industry. The considerations for the rating amongst others were based on the company's sizable capital base, sound internal capital generation, healthy investment returns, foreign exchange gains, and a strong liquidity profile backed by a conservative assets allocation strategy.

Sovereign Trust Insurance Plc continues to be the lead underwriter for most of the major oil and gas projects in Nigeria.

REINSURANCE TREATY COVER

We have adequate reinsurance treaties to enable us accommodate risks with high sums insured which provides us with the necessary support in the event of large claims. Our treaties were arranged by a consortium of reinsurance Brokers led by United African Insurance Brokers Limited, Perth Re and CICA-Re. These treaties were placed with a consortium of reputable reinsurance companies locally and overseas which are:

- Lloyd's Syndicate (UK)
- Thomas Miller Speciality
- Arch Insurance Company (Europe)
- African Reinsurance Corporation, Lagos
- Continental Reinsurance Plc, Lagos
- WAICA Reinsurance Pool, Lagos
- Nigeria Reinsurance Corporation, Lagos
- AVENI Reinsurance Company, Abidjan
- CICA Reinsurance Company, Lome



AGM Notice

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th **Annual General Meeting** of **Sovereign Trust Insurance PLC** will take place at The Bay Lounge Hall, Block 12A, 10 Admiralty Road, Lekki Phase 1, Lagos on Thursday, 22nd day of October, 2020 at 11.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To lay before the Meeting the Audited Financial Statements for the year ended December 31, 2019 together with the Reports of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors.
3. To approve the appointment of Mr. Shedrack Odoh as a Non-Executive Director.
4. To appoint the firm of Messrs PKF as the new Auditors to replace the retiring Auditors, Messrs Ernst & Young, in accordance with Section 401(1) of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2020.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. To elect the Shareholders' representatives on the Audit Committee.

SPECIAL BUSINESS

7. To fix the Directors' Fees for the year ending December 31, 2020 at ₦3,800,000.00

DATED THIS 18TH DAY OF SEPTEMBER 2020

BY ORDER OF THE BOARD

EQUITY UNION LIMITED
(Corporate Secretaries/ Nominees)

Yetunde Martins
FRC/2013/NBA/0000003399
Equity Union Limited
(Company Secretaries)

NOTES

COMPLIANCE WITH COVID-19 RELATED DIRECTIVES AND GUIDELINES:

The Federal Government of Nigeria, State Governments, Health Authorities and Regulatory Agencies have issued a number of guidelines and directives aimed at curbing the spread of COVID-19 in Nigeria. Particularly, the Lagos State Government placed a restriction on the gathering of people at events, while the Corporate Affairs Commission (CAC) issued Guidelines on Holding Annual General Meeting (AGM) of Public Companies by Proxy. The convening and conduct of the AGM shall be done in compliance with these directives and guidelines.

PROXIES

A Member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Member of the Company. Executed form of proxy should be deposited at the Company's Registrars' Office, Meristem Registrars & Probate Services Ltd, 213 Herbert Macaulay Way, Adekunle Yaba, Lagos or via email at info@meristemregistrars.com not less than 48 hours before the time of holding the meeting. To be effective, the proxy form should be duly stamped and signed by the Commissioner for Stamp Duties.

STAMPING OF PROXY

The Company has made arrangements, at its cost, for the stamping of the duly completed and signed proxy form submitted to the Company's Registrars within the stipulated time or sent by e-mail to info@meristemregistrars.com

ATTENDANCE BY PROXY

In line with the Corporate Affairs Commission Guidelines, attendance of the AGM shall be by proxy only. Shareholders are required to appoint a proxy of their choice from the list of nominated proxies below:

1.	Mr. Oluseun O. Ajayi	-	Chairman
2.	Mr. Olaotan Soyinka	-	Managing Director/CEO
3.	Sir Sunny Nwosu	-	Shareholders Representative
4.	Mr. Peter Eyanuku	-	Shareholders Representative
5.	Mr. Tunji Bamidele	-	Shareholders Representative
6.	Mrs. Obideyi Efunyemi Olatunde	-	Shareholders Representative

LIVESTREAMING OF THE AGM

The AGM will be streamed live online. This will enable Shareholders and other Stakeholders who will not be attending physically to follow the proceedings. The link for the AGM livestreaming will be made available on the Company's website at www.stiplc.com

CLOSURE OF REGISTER

The Register of members will be closed from 21st day of September 2020 to 25th day of September 2020 (both days inclusive) to enable the Registrars update the Register of Members and make necessary preparations for the Annual General Meeting.

STATUTORY AUDIT COMMITTEE

In accordance with Section 404(6) of the Companies & Allied Matters Act, Laws of the Federation of Nigeria 2020, a shareholder may nominate another shareholder for appointment to the Audit and Compliance Committee. Such nomination should be in writing and reach the Company Secretary not less than 21 days before the Annual General Meeting.

Kindly note that the provision of the Code of Corporate Governance issued by the Securities & Exchange Commission (SEC) stipulates that members of the statutory Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

Furthermore, in line with the Financial Reporting Council of Nigeria (FRCN) Rules, the Chairman of the Statutory Audit Committee must be a professional member of an accounting body established by Act of the National Assembly in Nigeria.

In line with the above, nominations to the Statutory Audit Committee should be supported by the Curricula Vitae of the nominees in order to confirm eligibility.

RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Articles of Association, the directors to retire by rotation at the 25th Annual General Meeting are Ms. Omo Iredia and Mr. Abimbola Oguntunde. Mr. Abimbola Oguntunde, being eligible, has offered himself for re-election while Ms. Omo Iredia has however indicated her intention not to be re-elected.

The profile of the directors retiring by rotation are available in the Annual Report.

RIGHTS OF SECURITIES' HOLDERS TO ASK QUESTIONS

Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company at 17, Adetokunbo Ademola Street Victoria Island Lagos or via email at info@stiplc.com not later than 7 days to the date of the meeting.

E-ANNUAL REPORT

The electronic version of this Annual report (e-annual report) can be downloaded from the Company's website at www.stiplc.com. The e-annual report will be emailed to all Shareholders who have provided their email addresses to the Company's Registrars. Shareholders who wish to receive the e-annual report are kindly requested to send an email to info@stiplc.com or info@meristemregistrars.com

WEBSITE

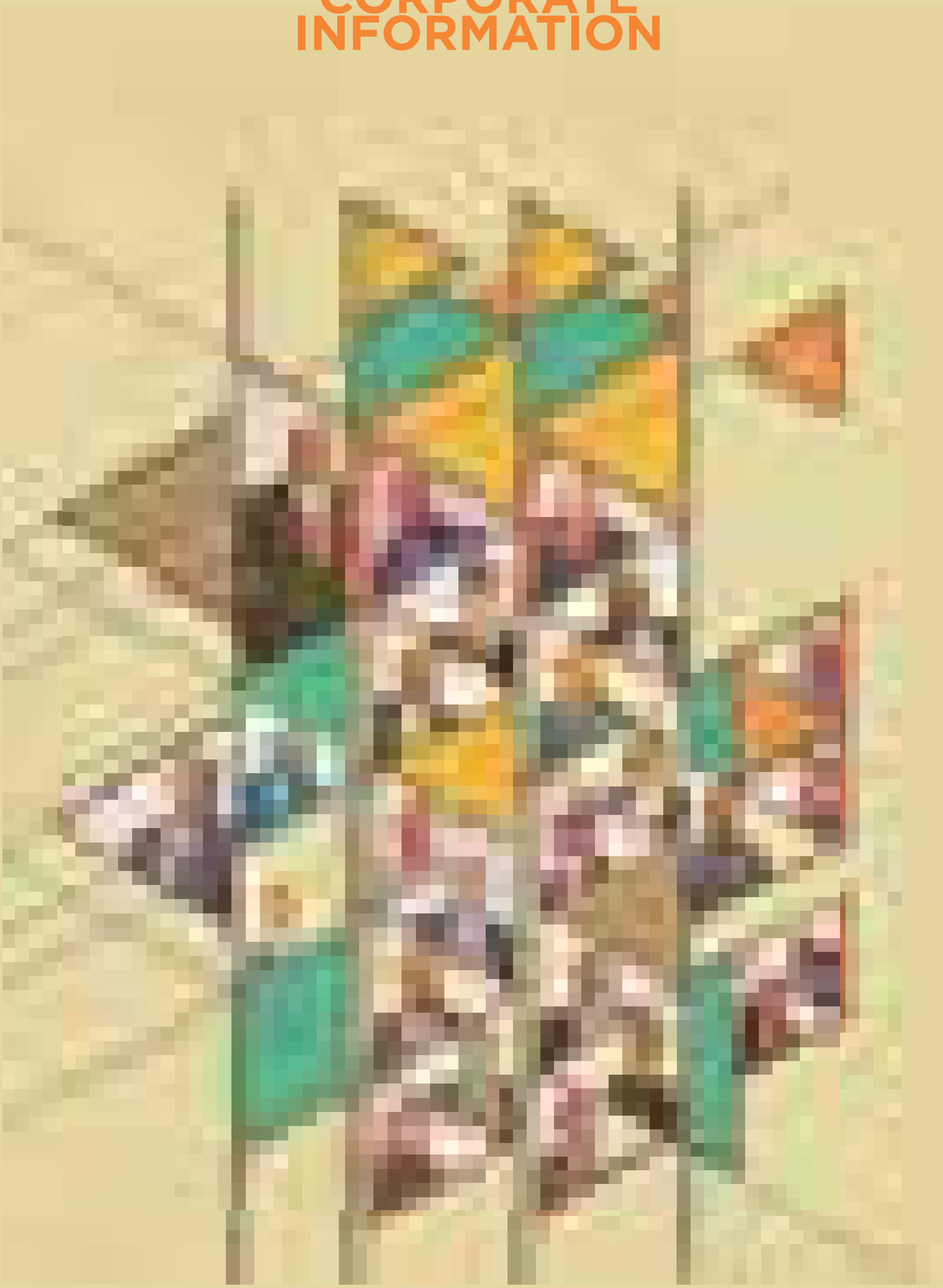
A copy of this Notice and other information relating to the meeting can be found at www.stiplc.com

UNCLAIMED DIVIDEND

Several dividends remain unclaimed. All Shareholders are hereby advised to update their records and forward details of such records and account numbers to the Company's Registrars, Meristem Registrars & Probate Services Limited for receipt of dividend. Detachable forms in respect of mandate for e-dividend payment, unclaimed/stale dividend payment and Shareholders' data update are attached to the Annual Report and Accounts for your completion. Any Shareholder who is affected by this notice is advised to complete the form(s) and return same to the Company's Registrars, Meristem Registrars & Probate Services Limited, 213 Herbert Macaulay Way, Adekunle, Yaba, Lagos.

Please note that the forms can also be downloaded from the Company's website: www.stiplc.com

CORPORATE INFORMATION



CORPORATE INFORMATION

Company's Registration Number
RC 31962

Head Office
17, Adetokunbo Ademola Street,
Victoria Island, Lagos.
Tel:01-4611237,
Website: www.stiplc.com
08099929157, 08033076114
E-mail: info@stiplc.com

Directors
Mr. Oluseun O. Ajayi
Chairman
Mr. Olaotan Soyinka
Managing Director/CEO
Mrs. Ugochi Odemelam
Executive Director
Mr. Jude Modilim
Executive Director
Ms. Emi Faloughi
Non Executive Director
Ms. Omozusi Iredia
Non Executive Director
Mr. Abimbola Oguntunde
Non Executive Director
Mr. Odoh Shedrack Chidozie
Non Executive Director
Appointed 29 November 2019
Mr. Samuel Egube
Non Executive Director
Retired 25 July 2019
Col. Musa Shehu (Rtd), OFR
Independent Director

Company Secretary
Equity Union Limited
(Company Secretaries & Nominees)
Equity Union House, 11, IPM Avenue
Central Business District, Alausa
Ikeja, Lagos, Nigeria.

Registered Office
17, Adetokunbo Ademola Street
Victoria Island, Lagos.
+234 1 461 5006 – 9

Registrar
Meristem Registrars Limited
213, Herbert Macaulay Way,
Adekunle, Yaba, Lagos State, Nigeria

Solicitors
Citipoint Chambers (Legal Practitioners)
Equity Union House, 11, IPM Avenue
Central Business District, Alausa
Ikeja, Lagos, Nigeria.

Reporting Actuary
Logic Professional Services
Rear Wing 4th Floor, Oshopey Plaza
17/19 Allen Avenue
Ikeja, Lagos.

Auditors
Ernst & Young
10th & 13th Floors
UBA House
57, Marina
P.O. Box 2442, Marina Lagos.

Reinsurers
Aveni Reinsurance Company Limited
African Reinsurance Corporation
Continental Reinsurance Plc
WAICA Reinsurance Corporation

Bankers
First Bank of Nigeria Limited
Standard Chartered Bank
Zenith Bank Plc
Access Bank Plc
Guaranty Trust Bank Plc
UBA Plc
Ecobank Plc
Providus Bank Limited
First City Monument Bank Limited
Fidelity Bank Plc
Unity Bank Plc
Heritage Bank Plc
Sterling Bank Plc
Wema Bank Plc

CORPORATE INFORMATION CONT.

Business Information

ED, Marketing and Business Development
Contact: Ugochi Odemelam
08099929134

ED, Technical Operations
Contact: Jude Modilim
08033191759

Corporate Information
Contact: Segun Bankole
Sales & Corporate Communications
Tel: 01-4611237, 08099929157,
08033076114
Or visit www.stiplc.com

HEAD OFFICE
17, Adetokunbo Ademola Street,
Victoria Island, Lagos State
Contact: Ugochi Odemelam
08099929134

IBIYINKA OFFICE
Plot 1217, Ibiyinka Olorunbe,
Off Amodu Ojikutu Street
Victoria Island, Lagos State
Contact: Segun Bankole
08033076114

LEKKI AGENCY OFFICE
C311, Road 5
Ikota Shopping Complex
Lekki-Aja, Lagos State
Contact: Olatunji Olayinka
08099928058

LAGOS CENTRAL AREA OFFICE
21, Boyle Street, (8th Floor)
Onikan, Lagos State
Contact: Oluwatoyin Olayinka
08033008339

APAPA AREA OFFICE
20, Commercial Road,
Apapa, Lagos State
Contact: Kola Azeez
08099929181

IKEJA AREA OFFICE
11, IPM Avenue,
Off Obafemi Awolowo Way
Ikeja, Lagos State
Contact: Deborah Ugbaje
08099929184

PORTHARCOURT AREA OFFICE
Plot 11, Peter Odili Road
by Maxwell Adoki Street
Trans-Amadi Industrial Lay-out
Port-Harcourt, Rivers State
Contact: Angela Onochie
08186690234

CORPORATE INFORMATION CONT.

Business Information Cont.

IBADAN AREA OFFICE
87, Obafemi Awolowo Road
Oke-Ado, Ibadan, Oyo State
Contact: Niyi Aiyenimelo
08099928084

ABUJA AREA OFFICE
4th Floor Nusaiba Towers,
Plot 117, Ahmadu Bello Way,
Jahi, Abuja
Contact: Lucas Durojaiye
08023805681

KADUNA BRANCH OFFICE
16E, Ahmadu Bello Way
CB Finance House, Kaduna State
Contact: Dawodu Yusuf
09031246863

ENUGU BRANCH OFFICE
112, Ogui Road
Enugu State
Contact: Damian Iloegbunam
08037078399

AKURE BRANCH OFFICE
3, Alagbaka Junction
Akure, Ondo State
Contact: Emmanuel Tejumade
08099929137

ABA BRANCH OFFICE
97,Azikwe Road
Aba, Abia State
Contact: Adaeze Egbechuo
08035084848

CORPORATE INFORMATION CONT.

Management Team

Olaotan Soyinka
Managing Director/CEO

Ugochi Odemelam
Executive Director, Marketing & Business Development

Jude Modilim
Executive Director, Technical Operations

Kayode Adigun
General Manager/Divisional Head, Finance & Corp. Services

Sanni Oladimeji
DGM/Head, Risk Management & Compliance

Segun Bankole
DGM/Head, Sales & Corp. Communications.

Emmanuel Anikibe
DGM/Head, Sales & Client services

Olalekan Oguntunde
AGM/Head, ICT

Samuel Oseni
AGM/Head, Internal Audit

Tajudeen Rufai
AGM/Head, Reinsurance

Angela Onochie
AGM/Head, Eastern Area Operations

Lucas Durojaiye
AGM/Head, Northern Area Operations

Abisola Asaju
AGM/Head, General Internal Services

Niyi Olaitan
AGM/Head, Finance & Accounts

Victoria Eze
AGM/Head, Sales & Client Services 2

Akinwunmi Akinrinmade
AGM/Head, Energy

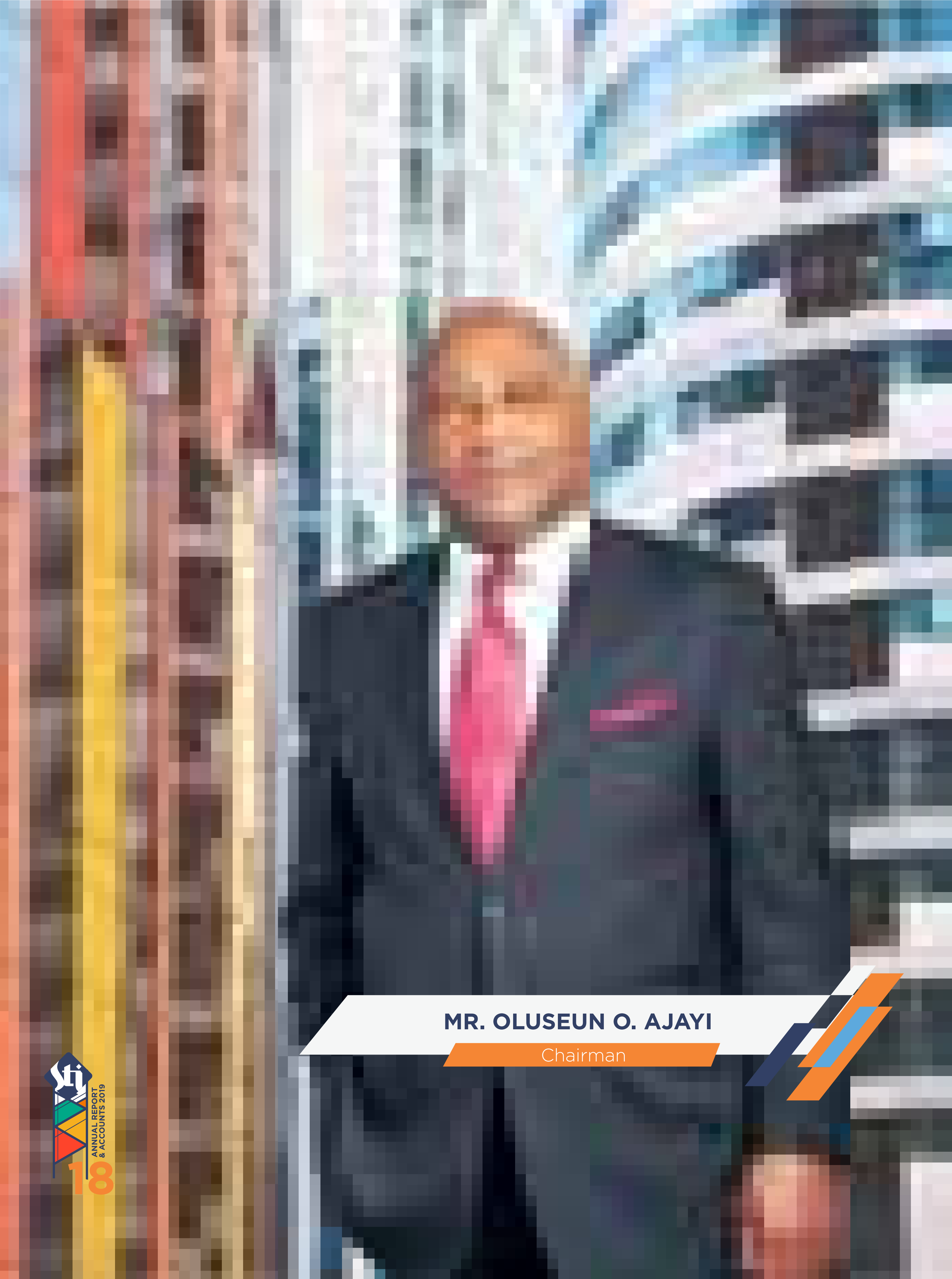
Lekan Alayande
AGM/Head, Marine and Aviation

Ebinyu Faloughi
AGM/Head, Motor

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of Nigerian Naira	**2019**	**2018**	**% Change**
STATEMENT OF COMPREHENSIVE INCOME			
Gross premium written	10,879,656	10,513,078	3%
Net premium income	5,950,253	5,061,377	18%
Net claims expenses	2,209,130	1,787,492	24%
Profit before income tax	819,011	540,554	52%
Profit after income tax	503,382	344,236	46%
STATEMENT OF FINANCIAL POSITION			
Total assets	13,418,426	11,321,427	19%
Total liabilities	5,631,820	5,501,072	2%
Total equity	7,786,606	5,820,355	34%
Insurance contract liabilities	3,324,006	3,088,838	8%
Per Share data:			
Basic earnings per share (kobo)	5.86	4.13	42%

CHAIRMAN'S STATEMENT



MR. OLUSEUN O. AJAYI

Chairman

INTRODUCTION

Distinguished Shareholders, representatives of various regulatory authorities here present, invited guests, gentlemen of the press, ladies and gentlemen, it is my singular honour to welcome you to the 25th Annual General Meeting of our dear company, Sovereign Trust Insurance Plc and to present the Annual Report and Accounts for the period ended December 31, 2019 for your consideration.

The year 2019 was quite an eventful one in all ramifications both globally and nationally. You will recall that it was the year of Nigeria's general election that returned the incumbent President Muhammadu Buhari to the seat of government for another four-year tenure. Despite the various challenges, we were able to improve our performance as much as we could during the year under review.

The dynamism of our business structure and strategy have been very much responsible for our continued relevance in the Nigerian Insurance market despite the difficult operating environment.

In considering our performance, it is pertinent to examine the global and domestic environments and how these impacted our operations during the year under review.

THE GLOBAL ENVIRONMENT

In the course of the year, the United Kingdom put to rest the over-prolonged Brexit from the European Union. The uncertainties around this exit unfortunately consumed the tenure of the Prime Minister, Theresa May. Mrs. May had struggled without success to get parliamentary support for the legislation needed to implement the deal she had agreed with the EU on how the UK would leave the bloc.

The U.S-China Trade War continued in 2019 with both sides claiming victory. However, the agreement failed to settle the major differences between the two nations suggesting that 2020 could be turbulent on the trade front. The two countries have continued to impose stringent tariffs on each other. This obviously generated tensions around global businesses and relationships.

The global economy recorded its lowest growth of the decade in 2019, falling to 2.3% as a result of protracted trade disputes and a slowdown in domestic investment. The United Nation's recent report showed that 2019 ended up having the slowest global economic expansion since the world financial crisis in 2008-2009, with growth trending down in virtually all major economies and slowing in all geographic areas except Africa. This slowdown has led to greater social discontent and economic inequalities as well as reduce global standard of living.
It also reported that broad-based slowdown has been accompanied by a sharp drop in international trade flows and global manufacturing activity.

In the United States, the GDP growth of 2.9% in 2018 slowed to 2.2% in 2019 and it is projected to fall further to 1.7% in 2020. Despite "significant headwinds, East Asia remains the world's fastest growing region and largest contributor to global growth. GDP in the region is projected to gradually slow from 6.1% in 2019 to 6% in 2020 and 5.9% in 2021, respectively. China, which grew its economy by 6.6% in 2018 slowed to 6.1% in 2019. Growth in other large emerging economies including Brazil, India, Mexico, Russia, and Turkey is expected to gain some momentum in 2020. However, the world economy has to a large extent been jolted by the coronavirus pandemic which broke out in Wuhan, China in December 2019.

The pandemic, no doubt, has created a disruption in the world order as many businesses and economies experienced downturns in huge dimension leading to many corporations shutting down their operations while many lost their jobs in a monumental manner. To date, over 27.3 million people have been infected worldwide with fatalities in the region of 1 million. The resultant effect of the global pandemic is the obliteration of all business forecasts for 2020. As the world continue to search for a vaccine and permanent cure to the pandemic, businesses have taken a new dimension in a bid to stay afloat while technology has become the bedrock of many organizations in the new norm that have confronted mankind.

DOMESTIC BUSINESS ENVIRONMENT

Nigeria's growth continues to be fragile with significant revenue challenges despite the relatively high crude oil price in 2019. This has resulted in more borrowing and higher deficit than budgeted. The biggest challenge in 2019 was the restoration of confidence in the economy post-elections to attract private sector investments for inclusive and sustainable economic development. Nevertheless, the country's hopes and aspirations were boosted on the heels of the successful re-election of the incumbent President in continuation of his administration's policies.

Nigeria also signed the African Continental Free Trade Agreement (AfCFTA) to enhance and promote free flow of trade amongst African nations. In a similar development, the drive to ensure effective delivery of government policies on Agricultural sector and operational SMEs informed government's decision to close the land borders in order to curb dumping and smuggling that have ravaged local business initiatives.

The approved 2019 "Budget of Continuity" of ₦8.92 trillion was signed into law on May 27, 2019. The budget was based on estimated oil production of 2.3 million barrels a day, an assumed crude price of $60 per barrel and an exchange rate of ₦305 to the dollar. This reflected a drop of 2.2% when compared with 2018 budget of ₦9.12trillion. Subsequently, crude oil production including condensates and natural gas liquids, achieved in 2019 was estimated at an average of 2.01 mbd compared to 1.92 mbd in the preceding year while the average price of Nigeria's reference crude, the Bonny Light was US$64 per barrel in 2019, compared with US$62per barrel in 2018.

In line with the data from Nigeria Bureau of Statistics (NBS), the pace of recovery remained slow despite noting a milestone; Gross Domestic Product (GDP) grew by 2.27% in 2019, slightly higher than it did in the preceding year. As it is often the case, Nigeria's economic growth was anchored on its oil exports with production levels remaining stable throughout 2019. However, the Nigerian economy in 2019 grew in real terms with a figure of ₦19.53 trillion compared to ₦19.28 trillion recorded in the corresponding year of 2018.

The factors that contributed to the improved economic performance were the upturn in oil production and the stability in the oil-producing area within the Niger-Delta region due to low level of restiveness and pipeline vandalizations. Furthermore, movement in oil prices were driven by optimism in the trade agreement between the US and China, as well as the improved outlook for global oil demand amidst better-than expected economic performance of some major economies in the period under review.

The average naira exchange rate vis-à-vis the US dollar depreciated at the inter-bank, BDC segment, and the I&E Window. The average exchange rate at the 'Investors' and 'Exporters' window, the BDC and the Inter-bank segments of the market were ₦362.83/US$, ₦359.42/US$ and ₦306.95/US$, respectively. At US$38.07 billion, the gross external reserves fell by 6.4% compared with the level it was at the end of 2018.

Similarly, Nigeria's Consumer Price Index, (CPI) which measures inflation increased to 11.98%in 2019. Data released by National Bureau of Statistics (NBS) showed that inflation rose consecutively all through the year. This figure represents a 0.05% increase to the 11.4% recorded in 2018. In the same vein, the country's unemployment rate increased to 27.1% in 2019 against 23.1% in 2018. It is hoped that government's policies will address these macro-economic issues in record time to ultimately increase the purchasing power of many Nigerians and consequently lead to demand for insurance business.

INSURANCE INDUSTRY REVIEW

The Insurance sector, like all other sectors of the economy in the year 2019 struggled to overcome the challenges posed by the uncertainties resulting from both global and local government policies and economic dynamics which left businesses in a stagnated position and eroded the purchasing power of the populace thereby slowing down the demand for insurance.

On May 3, 2020, Mr. Sunday Thomas was confirmed as the substantive Commissioner of Insurance. Until his appointment, he was the Deputy Commissioner, Technical and was later appointed in an acting capacity to oversee the affairs of the Commission on August 2, 2019. Furthermore, two Deputy Commissioners were appointed in the persons of Alhaji Sabiu Abubakar, (Technical) and Mr. Oba Oluniyi, (Finance & Administration) respectively on July 17, 2020.

In line with the Commission's drive for inclusion towards increasing insurance penetration in Nigeria, the Commission granted approval in principle to two insurance companies, namely, Cornerstone Takaful Insurance Company Limited and Salam Takaful Insurance Company Limited under the composite category. The development would see the new entrants into the nation's insurance sector transact both family and general Takaful businesses in Nigeria. This brought the total number of Takaful insurance operators in the country to four, having earlier granted licenses to Noor Takaful and Jaiz Takaful in 2016.

NAICOM also disclosed that the Nigerian Life Annuity Fund Portfolio rose to ₦323bn in 2019. This figure represents a growth of 17.46% compared to that of 2018 which was ₦275 billion. It was also declared that "Retiree Life Annuity" (RLA) payouts within the same period under focus rose to ₦122 billion as at the end of 2019.

In exercise of its statutory powers and regulatory functions, the National Insurance Commission (NAICOM), recently reviewed the minimum paid-up share capital requirement in a new circular for all classes of insurers (i.e. insurance and reinsurance companies, with the exception of Takaful operators and Micro-insurance companies) doing business in Nigeria. The new minimum capital structure is shown below:

Business Type	Existing Minimum Paid-up	New Minimum Paid-up
Life	₦2Billion	₦8Billion
Non-Life	₦3Billion	₦10Billion
Composite	₦5Billion	₦18Billion
Re-insurance	₦10Billion	₦20Billion

In conjunction with other arms of the Industry, the Nigerian Insurers Association (NIA) gave support towards national response to the Covid-19 pandemic by providing life insurance cover to over 5,000 health workers and other ancillary personnel in the frontline of the battle against the virus.

As a result of the pandemic that altered economic activities in most climes across the world with Nigeria not being an exception, the Commission in reacting to the challenge, swiftly reviewed the phasing of the recapitalization process of the industry with new dates set at December 31, 2020 for the first 50% phase and the balance of 50% by September 30, 2021.

OPERATING RESULTS

The goal to continue to maintain an enduring and comprehensive growth strategy still forms the bedrock upon which our company is built. In the midst of the avalanche of challenges that characterized the industry during the year under review, our company recorded a Profit Before Tax of ₦819million as against ₦541million recorded in year 2018 representing 52% increase. Profit after tax stands at ₦503million, a 46% increase when compared with the sum of ₦344million recorded in 2018. Consequently, our Return on Capital Employed (ROCE) recorded a positive performance of 9.2% as against 8.0% achieved in the corresponding year of 2018. Similarly, our Investment income rose by 20.8% from ₦388million in 2018 to ₦469million in 2019.

The size and quality of our balance sheet improved as total assets rose from ₦11.3billion in 2018 to ₦13.4billion in 2019 representing a 19% increase. Earnings per share improved by 42% from 4.13kobo in 2018 to 5.86kobo in 2019.

In a similar manner, the Gross Premium Written of ₦10.8billion was better than that of 2018 which was ₦10.5b representing a 3% increase. Equally, the net premium Income grew by 18% to ₦5.9billion in 2019 over the sum of ₦5.0billion recorded in the corresponding year.

The fundamentals of our business remain strong as evidenced by our capacity to remain profitable despite stiffer economic conditions prevailing in the operating environment. With this result, the resilience of our brand has once again been brought to the fore with proven capability to substantially increase our level of profitability. This performance could not have been achieved without the efforts of the unified Sovereign Trust team and our commitment to structured business strategies aimed at aggressive revenue generation and cost curtailment in the course of the year.

Rights Issue

Further to your approval at the last Annual General Meeting to adequately capitalize the company, the Board moved into action to raise the sum of ₦2.1b by way of Rights Issue of 4,170,411,648 units at a ratio of 1 to 2 ordinary shares already held at 50kobo per share. The offer recorded a gross proceed of ₦1,511,821,359.00 representing 72.5% success rate and this has been reflected in the paid-up capital of the company.

BOARD CHANGES

Resignation

Mr. Samuel Egube resigned his position as a result of his appointment as a Commissioner in the Lagos State Government in the Ministry of Budget and Planning. We appreciate him for his great contributions and the wealth of experience he brought to bear while as a member of the Board. We equally wish him all the best as he assumes his new role in the administration of His Excellency, Governor Babajide Sanwo-Olu.

Appointments

May I also in the same vein inform this gathering that Mr. Shedrack Odoh was appointed to the Board on November 29, 2019 as a Non-Executive Director. He is of impeccable character with vast experience in business spanning Oil &Gas and Banking. He is a Fellow of the Institute of Chartered Accountants of Nigeria, (ICAN). We are very confident that his wealth of experience will set a new and progressive pedestal for the company. Kindly join me in welcoming him to the organization.

Retirement by Rotation

In accordance with the company's Articles of Association, the Directors to retire by rotation are Mr. Abimbola Oguntunde and Ms. Omo Iredia. Mr. Abimbola Oguntunde being eligible, has offered himself for re-election, while Ms. Omo Iredia has however indicated her intention not to be re-elected.

FUTURE OUTLOOK

Our resilience has made us to weather all storms and economic challenges to keep the top and bottom lines in the positive range at the end of the year. We have been able to survive the rough tide through appropriate strategies built on fiscal discipline and unwavering support of all our stakeholders.

In an industry that is ever competitive like ours, we continuously review the appropriateness of our strategies in delivering our corporate objectives. We see the large population of the country as opportunity as well as the stability of the political environment as great potentials for growth and we will continue to develop bespoke products acceptable to the retail market in order to deepen insurance penetration in the country.

In the light of this, our distribution channels will be enhanced to ensure that our services are placed right at the doorstep of our customers. Our strategy is to maintain dominance of Oil and Gas insurance business through continuous improvement of our technical competence that has made us the leader for projects in the sector. In addition, we hope to take leadership in the Motor business space and other retail segments.

We also expect great leverage to arise from supportive government legislation that is skewed towards infrastructural developments. We will build more on our success story in utilizing compulsory insurance products as key growth drivers in the years ahead.

Furtherance to the recapitalization process, I am delighted to inform you all that our dear company has successfully scaled the hurdle of the 1st phase of the process which has a terminal date of December 31, 2020. Today, our fully paid-up capital stands at N5.68b which is in excess of the required amount of ₦5b as stipulated by NAICOM for the 1st phase. I am very confident that we will meet the deadline in good time as we continue to work assiduously in ensuring that we put the second phase of the recapitalization process behind us as soon as possible while also positioning the company competitively in the marketplace.

CONCLUSION

Our stance on deploying technology as a game changer for competitive advantage in the industry is without compromise and we have been constantly reviewing our processes and pathways along these lines. Our goal is to ensure that we distribute our products online, rea-time to our teeming customers in the confines of their homes.

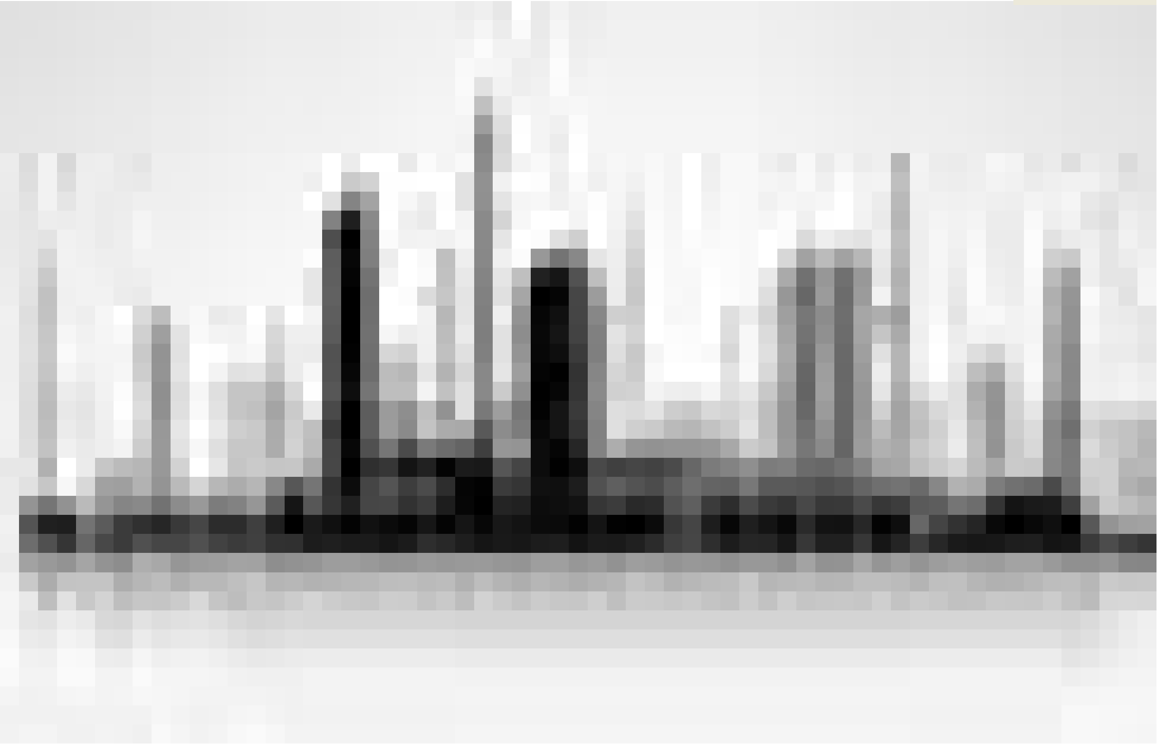
The dynamism of the business environment will continue to pose its challenges and opportunities for operators, but our strength is always built on applying the right approaches and strategies capable of achieving optimal operational efficiency and performance. Sovereign Trust Insurance Plc is very well positioned to take advantage of the opportunities that lie ahead.

Finally, distinguished shareholders, I want to thank our various stakeholders for their confidence in the company and assure you that we would continuously strive to keep our organization on the path of growth. Let me also use this opportunity to express my sincere gratitude to my colleagues on the Board, both executives and non-executives for their continued support and unwavering interest in the affairs of our company. I would also like to acknowledge the continued commitment and enthusiasm demonstrated by members of staff and Management all of whose contributions I sincerely appreciate. Thank you for listening.

God Bless.

OLUSEUN O. AJAYI
CHAIRMAN

Setups 26–57



BOARD OF DIRECTORS

MR. OLUSEUN O. AJAYI

Mr. Seun Ajayi is a Chartered Insurer spanning four decades in the insurance industry. He is both an Associate of the Chartered Insurance Institute of London (ACII) and Nigeria (AIIN) respectively. An astute professional who has devoted his entire working life to the practice of insurance, he was at various times with the National Insurance Corporation of Nigeria, (NICON) and International Standard Insurers Limited (ISI) where he held several Management positions. Mr. Ajayi is the Co-Founder and Pioneer MD/CEO of the company.

He has attended various Management and Leadership Development Programmes at different times in the course of his career including a professional and Management Programme at the London School of Insurance. He is also an alumnus of the Lagos Business School having completed the Chief Executive Programme (CEP) of the Institution. Mr. Ajayi has also attended leadership and Management development programmes at the IESE Business School of the University of Navarra, Spain, the University of Nottingham Business School, and the London Business School, respectively. Back home, he has also attended several Management development Programmes including leadership training at the Administrative Staff College of Nigeria (ASCON). He is also a graduate of History and Politics from the University of Ibadan.

Under his leadership, the company consistently experienced steady and remarkable accomplishments and he successfully transitioned the company from a Limited Liability Underwriting Firm to a Publicly Quoted Company in November 2006.

He brings to bear an overwhelming wealth of experience and he sits on the Board of several other companies in the country.

Designation: Chairman

MS. EMI FALOUGHI

Ms. Emi Faloughi is a seasoned professional with vast years of experience in the Oil and Gas Industry ranging from developing system solutions in support of Contracting and Procurement processes. Over the years, she has successfully put together and managed an ever evolving cross functional global network of IT specialists, Contracting & procurement experts and SAP Business Improvement Analysts.

She holds a first degree in Communications and Spanish from London Guildhall University, United Kingdom and a Masters degree in urban planning from Hunter College, New York, United States of America. She is currently the Vice President of TEEOF Holdings Ltd; a company with a diverse portfolio spanning the entertainment and realty sectors.

Designation: Non-Executive Director

MS. OMOZUSI IREDIA

Omozusi holds a master's degree in International Business Management from Demonfort University, Leicester, and a B.Sc.(Banking & Finance), University of Maiduguri, Nigeria.

She is an Investment Manager with over a decade experience in the financial services specializing in equities & money markets with specific focus on sales, trading and dedicated client relationship management.

She has held leadership positions with companies such as Afrinvest West Africa, Standard Chartered Bank and Coronation Merchant Bank.
Prior to founding CETARI Partners, Omozusi worked as the Group Executive of Coronation Securities –a subsidiary of Coronation Merchant Bank where she was responsible for driving sale, positioning and overall profitability of the business as well as aiding clients in providing liquidity solutions, raising capital with a core focus on driving growth and establishing successful partnerships across the region.

She is passionate about sustainable development and strategies geared at changing lives. She brings to bear her wealth of experience in the Nigerian Financial landscape in strengthening the composition of the Board of Directors of Sovereign Trust Insurance Plc.

Designation: Non-Executive Director

MR. ABIMBOLA OGUNTUNDE

Mr. Abimbola Oguntunde is the Managing Partner of Devtage Consulting & CEO of the Devtage Group, a global management consulting, technology, and corporate training & development company with offices in North America and EMEA (including Lagos, Nigeria). He currently serves as a non-executive director of Sovereign Trust Insurance Plc with specific responsibilities for capital raising, business transformation & reorganization. Abimbola, an experienced Banker, economist and certified Project Manager , with over 30 years' experience in the banking industry, management consulting and the international public sector, has held top management positions at leading institutions (UBA, Sterling and Diamond Bank) in the financial services industry.

He has acquired international working exposure, having a stint with the Ministry of Government Services, Ontario Public Services (OPS). He studied Economics at the University of Lagos where he graduated with a first class and subsequently obtained a master's degree in Economics from the same institution. He also holds an MBA in International Banking and Finance with Distinction from the University of Birmingham, United Kingdom.

Designation: Non-Executive Director

MR. SAMUEL EGUBE

Samuel Egube is an Angel investor and adviser on the Expert in residence program of the Entrepreneur Development Center (EDC) of the Pan Atlantic University Lagos, Nigeria. He is CEO at Harbourpoint Partners; a Business Consulting and Financial Advisory services company focused on Financial services, Technology, Agriculture and the garment industries.

Samuel Egube is a director at Sovereign Trust Insurance Plc and Interbau Construction Ltd. He is also Chairman CeLD Innovations Ltd, a technology driven consumer Loyalty Company and Africa's first unified cash reward service company. His over twenty-nine years post qualification experience, twenty of which in senior management banking roles has been in various sectors of the economy, including Banking & financial advisory, Business consulting and Engineering. These experiences were acquired in very strong institutions that include Arthur Andersen & Company (now KPMG professionals in Nigeria), United Bank for Africa Plc, First Bank Nigeria Plc and Diamond Bank Plc where he was the Corporate Banking Director and Head of Directorate.

He holds an Executive MBA from the prestigious International School of Management (IESE), University of Navarra Barcelona having initially held a Bachelors' degree in Engineering from the University of Benin. He is a Fellow of the Institute of Credit Administration (FICA), an Associate member of the Nigerian Institute of Management (AMNIM), A Corporate member of the Nigerian Society of Engineers (MNSE), Registered member of the Council for regulation of Engineering in Nigeria (COREN), and Honorary Senior member of Chartered Institute of Bankers. He has attended various local and international courses including management/leadership programs at IESE (Spain), INSEAD (France), Wharton (USA) and Columbia (USA).

Designation: Non-Executive Director
Retired 25 July 2019

COL. MUSA SHEHU (RTD.)

Col. Musa Shehu (Rtd.) retired from Nigeria Army in 1999 after several years of meritorious service in Nigeria. He was on the country's entourage on several military peace keeping and observer missions outside Nigeria at different times during his military career. Some of the countries include Chad Republic, Iran and Iraq.

In the course of his military career, he also served as Military Administrator of Rivers State between 1996 and 1998, and of Plateau State from 1998 to 1999. Col. Musa Shehu (Rtd.) is a non-executive director on the Board of Sovereign Trust Insurance Plc. Currently, he is the Secretary-General of the Arewa Consultative Forum.

Designation: Independent Director

MR. OLAOTAN SOYINKA

Mr. Olaotan Soyinka is an erudite and well-grounded Underwriter with over 20 years cognate experience. He is an Associate of the Chartered Insurance Institute of Nigeria. He is a Graduate of Insurance from University of Lagos and also holds an MSc degree in Marketing from the same university. He joined Sovereign Trust Insurance Plc in March 1998. A seasoned Professional who has plied his trade in both Marketing and Technical Divisions of the organization. He is bringing to bear his overwhelming wealth of experience in providing instructive leadership to the company while taking it to the next phase of its growth stage. Soyinka is an alumnus of the Lagos Business School having successfully completed the Senior Management Programme of the Institution. He is also a member of the prestigious Ikoyi Club 1938.

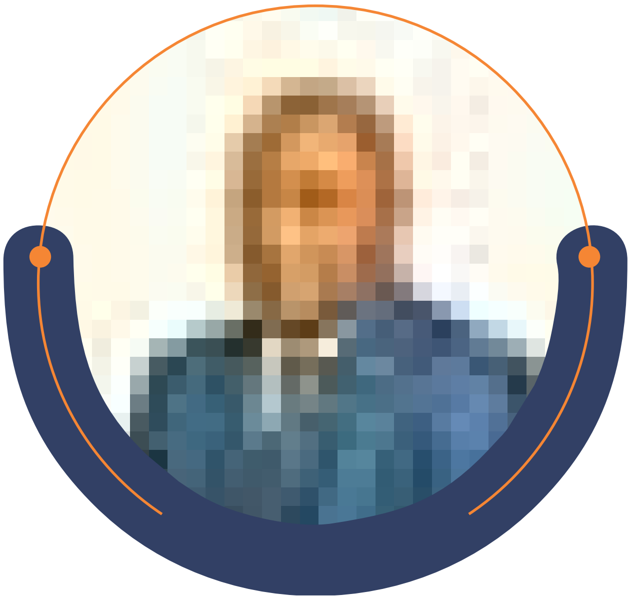
Designation: Managing Director/CEO

MRS. UGOCHI ODEMELAM

Mrs. Ugochi Odemelam graduated from the Federal Polytechnic, Nassarawa. She holds an MBA from ESUT Business School. She is also a member of the Nigerian Institute of Management (NIM), a registered member of the Chartered Insurance Institute of Nigeria (CIIN) and Chartered Insurance Institute of London (CII London). She is an Alumnus of the Lagos Business School having successfully completed the Senior Management Programme (SMP), and the Advanced Management Programme (AMP), of the Institution respectively. She has also attended series of management and development programmes both at local and international levels. She is an Alumnus of the Kellogg School of Management, Chicago, USA.

She joined Sovereign Trust Insurance Plc in 1995. Her cognate 25 years working experience cut across the banking and insurance profession. Her experience at Sovereign Trust spans several divisions, Area office operations and other committee works.

Designation: Executive Director Marketing & Business Development



MR. JUDE A. MODILIM

Mr. Jude Modilim was until his appointment as Executive Director, Technical, the Assistant General Manager/Group Head, Business Development with International Energy Insurance Plc, IEI. While in IEI, he carried out various functions in different capacities.

Between 2007 and 2008, he was the Group Head, Retail for Insurance PHB, (Now KBL). He had a short stint with Industrial and General Insurance Company Limited as a Manager in charge of Telecommunications Marketing. Jude equally had a long spell with NICON Insurance Plc totaling 15 years where he held various positions within the organization.

Jude Modilim is coming on Board with a considerable wealth of experience that has traversed various facets of Insurance and it is hoped that same will be utilized in galvanizing the organization to the next level of its growth agenda.

Designation: Executive Director
Technical Operations

MR. ODOH SHEDRACK CHIDOZIE

Mr. Shedrack Chiedozie Odoh is a fellow of the Institute of Chartered Accountants of Nigeria. He holds a Bachelor's degree in Finance from the University of Port Harcourt and an MBA from the University of Lagos. He started his working career with Citibank Nigeria before moving to Central Bank of Nigeria and subsequently to UBA Plc and to Mobil Producing Nigeria Unlimited.

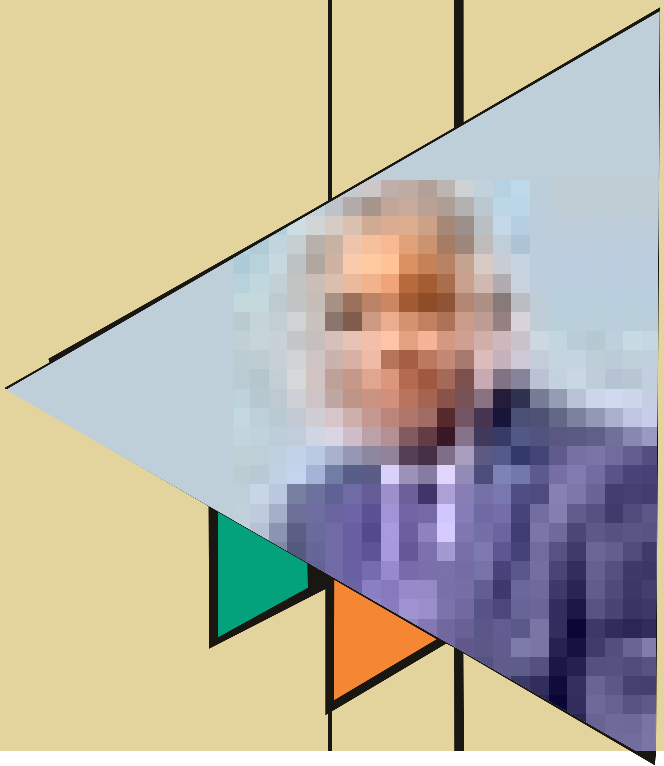
He has rich senior management experience in banking and oil & gas industries in Nigeria. His core expertise is in Logistics Chain Management, Financial Controls and Treasury Management. He attended the Senior Management Program of the Lagos Business School. He has also benefited from numerous professional and managerial trainings by Kenan - Flagler Business School of the University of North Carolina and OGCI Houston,Texas. The organization will be relying on his vast wealth of experience in fortifying the growth agenda of Sovereign Trust Insurance Plc in the days ahead.

Designation: Non-Executive Director
Appointed 29 November 2019

MR. OLAOTAN SOYINKA
Managing Director/CEO

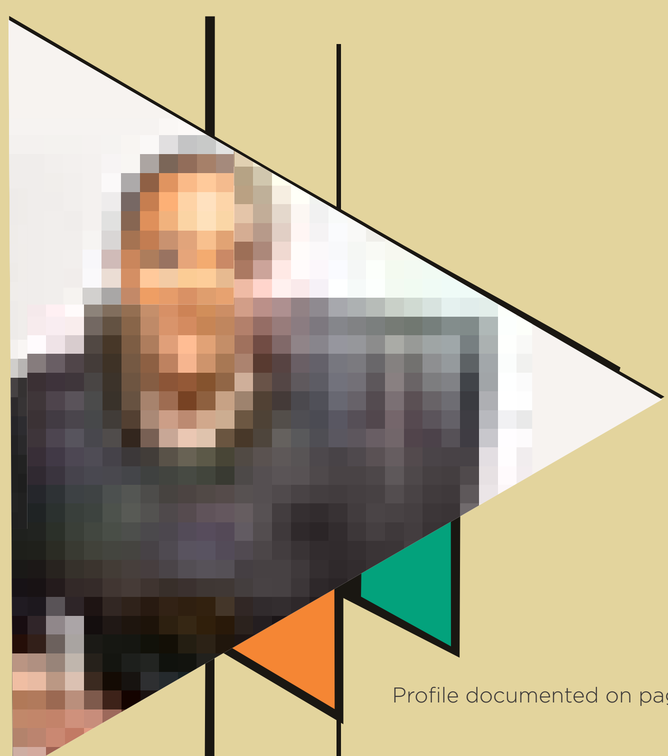
MANAGEMENT

MANAGEMENT



Profile documented on page 30

OLAOTAN SOYINKA – BSc (INS), AIIN, MSc
Managing Director/CEO



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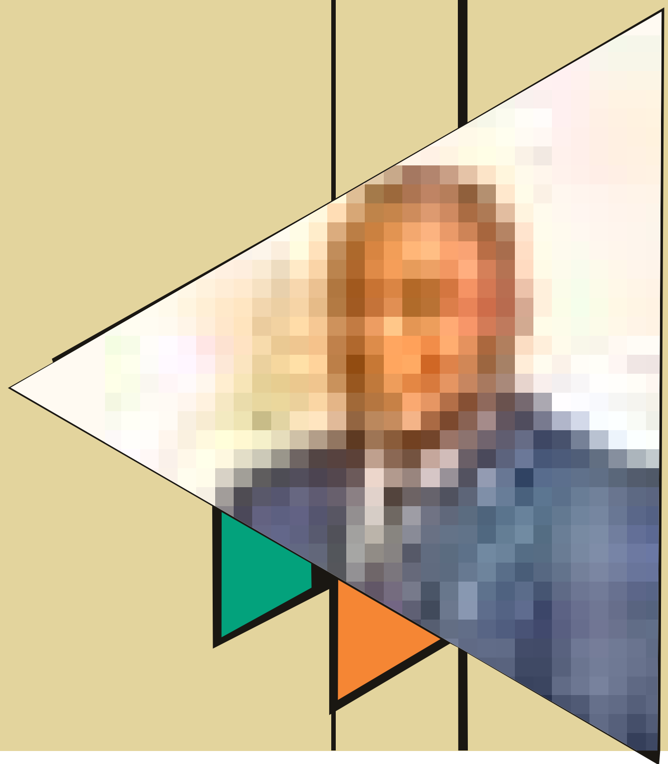
UGOCHI ODEMELAM – HND, MBA
Executive Director, Marketing & Business Development



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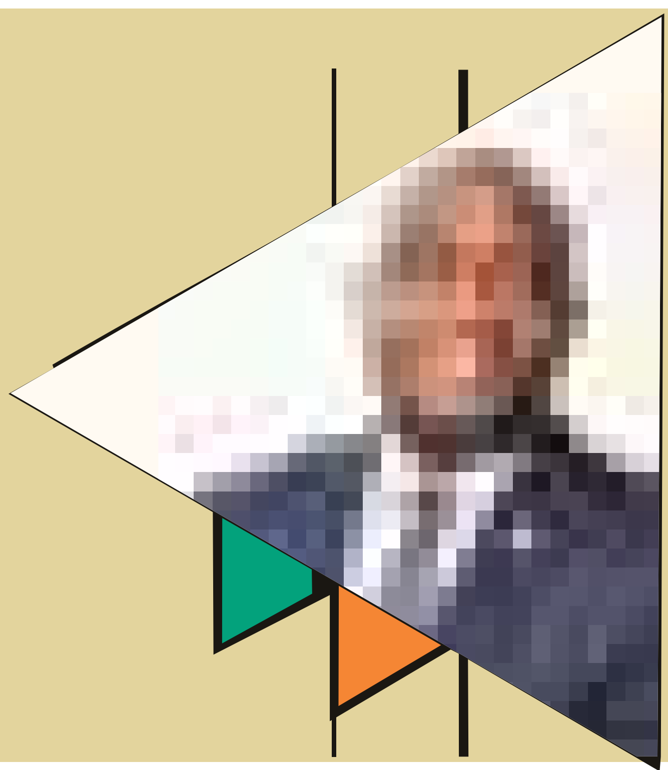
JUDE A. MODILIM – BSc(INS), MSc, ACII, AIIN
Designation: Executive Director, Technical Operations

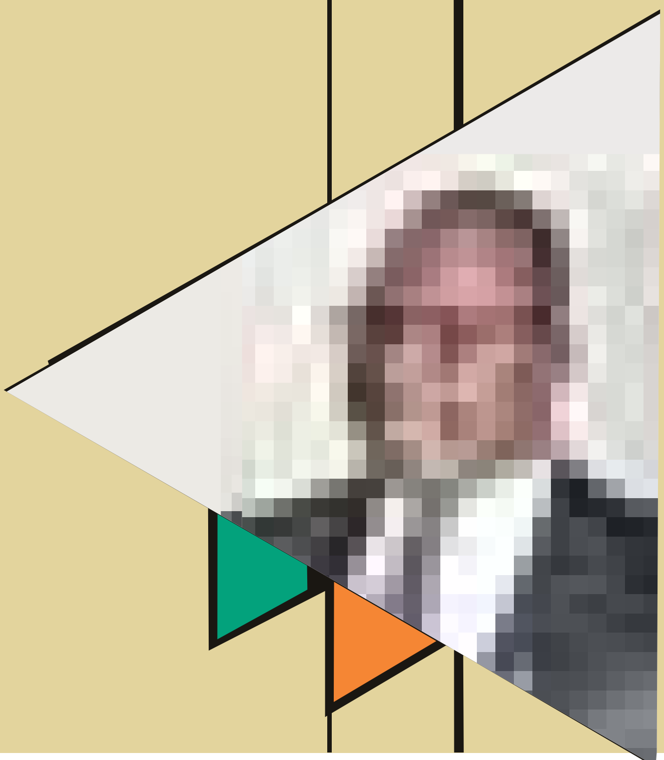


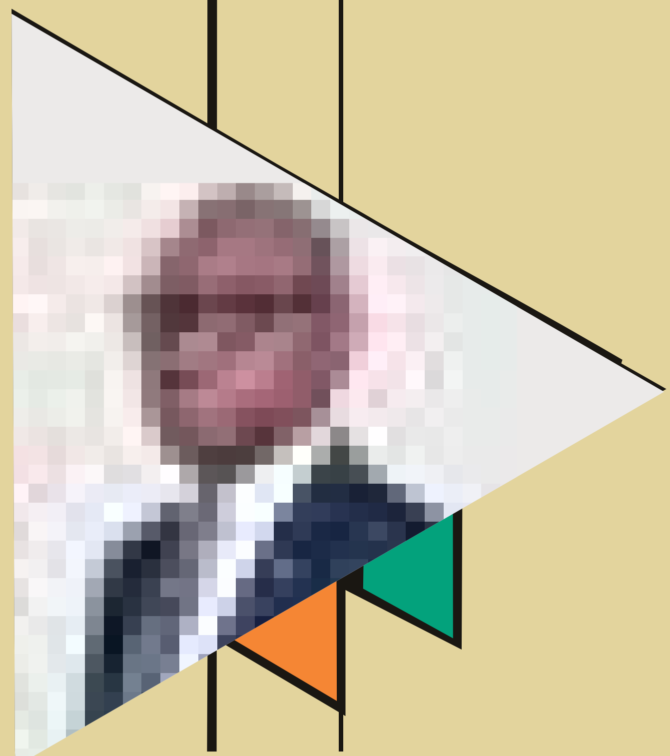
Kayode Adigun is a Fellow of both the Institute of Chartered Accountants of Nigeria and The Chartered Institute of Taxation of Nigeria, respectively. He holds a Master of Science Degree in Governance and Finance from Liverpool John Moore University United Kingdom and an additional master's degree in business administration from the Obafemi Awolowo University, Ile-Ife. He is an alumnus of University of Jos, where he graduated with a Bachelor of Science degree in Geography. He is an Alumnus of Howard University, Washington D.C, USA.

He joined Sovereign Trust Insurance Plc in 1997 and has over 20 years ofexperience in treasury, corporate finance, accounting, tax, investments, administration, and human resources functions. He is also an expert in corporate governance structure and framework. Kayode is an Alumnus of the Lagos Business School having completed the Advanced Management Programme (AMP), of the Institution.

Designation: General Manager/Divisional Head, Finance & Administration

KAYODE ADIGUN
BSc, MSc, MBA, FCA, FCTI





SANNI OLADIMEJI
HND, FCA, FRMN, FCTI, AMNIM, MBA

Sanni Oladimeji is a graduate of Accountancy from the Federal Polytechnic Ilaro and he is charged with the responsibility of planning, developing, and implementing an overall risk management process geared at protecting and controlling the capital, resources, and assets of the company.

He is a Fellow of the Institute of Chartered Accountants of Nigeria, the Risk Managers Society of Nigeria, and the Chartered Institute of Taxation of Nigeria. He is also an Associate member of Nigerian Institute of Management. He holds a master's degree in business administration specializing in Marketing Management from Olabisi Onabanjo University. He is a Certified Professional & Approved Lead Trainer in ISO 31000 Risk Management and a Professional member of the Institute of Operational Risk, United Kingdom. He is an alumnus of the Lagos Business School having successfully completed the Advanced Management Programme of the Institution.

He joined Sovereign Trust in March 1995. He has over 25 years of working experience in Finance & Administration and Enterprise Risk Management.

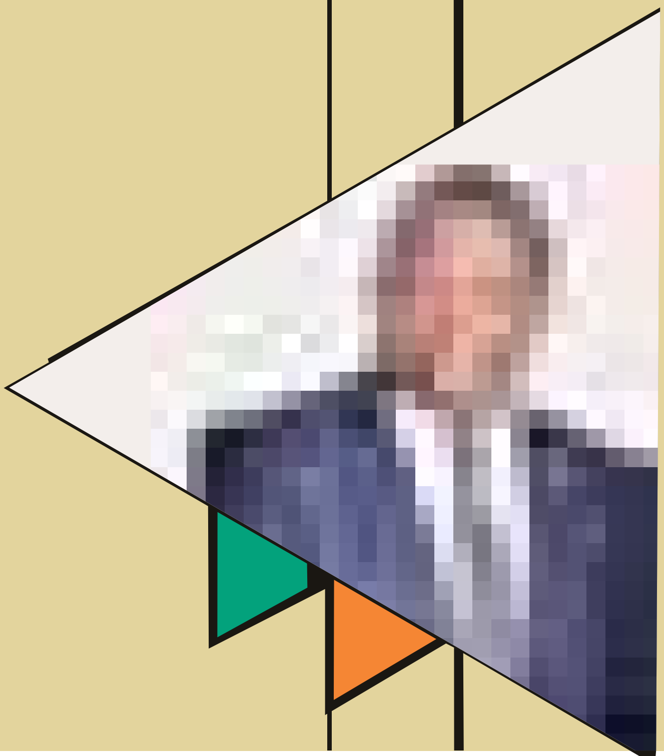
Designation: Deputy General Manager/Head, Risk Management & Compliance

SEGUN BANKOLE
BA, MBA, ANIM, ARPA

Segun Bankole graduated from the Obafemi Awolowo University, Ile-Ife, (OAU) He holds a master's degree in Business Administration from the University of Calabar. He has over 20 years of work experience in the Nigerian Private and public Sectors with a keen interest in Media, Public Relations, Marketing Communications, Human Relations, and business development. He is an Alumnus of the Lagos Business School having completed the Advanced Management Programme of the Institution.

Bankole is a member of the Nigerian Institute of Management (NIM) and an Associate Member of the Advertising Practitioners Council of Nigeria (APCON). He is a member of the Global Development Network (GDN), an international non-governmental organisation in the pursuit of global manpower development. He is a Fellow of the Institute of Brand Management of Nigeria, IBMN.He joined Sovereign Trust Insurance Plc in November 2007.

Designation: Deputy General Manager, Sales & Corporate Communications



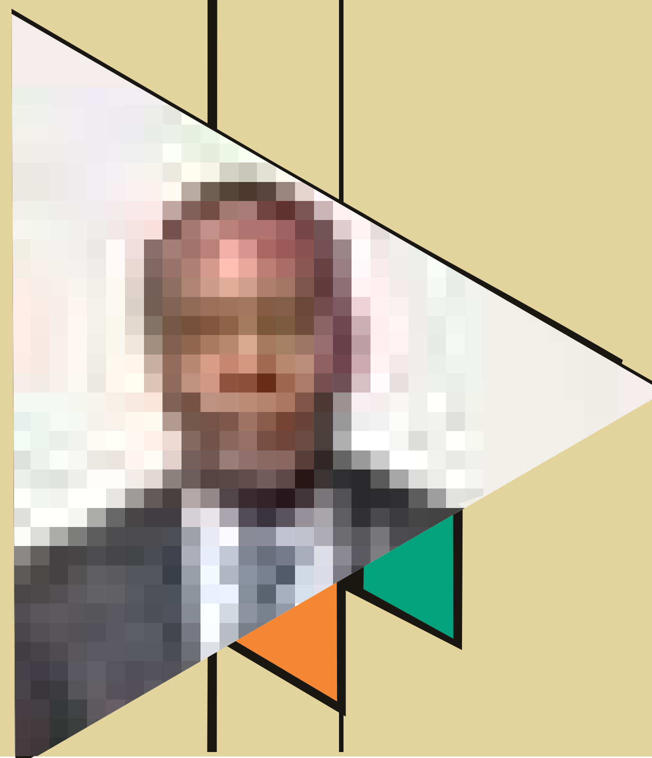
EMMANUEL ANIKIBE

B. Sc, MBA, AIIN

Emmanuel Anikibe is charged with the responsibility of supervising and coordinating the operations of the Brokers Department. He is a graduate of insurance from the Faculty of Business administration, University of Lagos. He also holds an MBA, from Obafemi Awolowo University, Ile-Ife, with specialty in Marketing Management. He is an Associate of the Chartered Insurance Institute of Nigeria (CIIN) and an alumnus of the prestigious Lagos Business School having completed the Senior Management Programme (SMP) in 2009. He has at various times attended several technical, management and Leadership courses in the course of his career.

His cognate 20 years of work experience includes working as an underwriter at Lion of Africa Insurance Company Limited and Sovereign Trust Insurance Plc where he has held several positions spanning from Underwriting, Reinsurance & Claims Administration, Branch operations, Retail and Business Development.

Designation: Deputy General Manager/Head, Sales & Client Services



OLALEKAN OGUNTUNDE

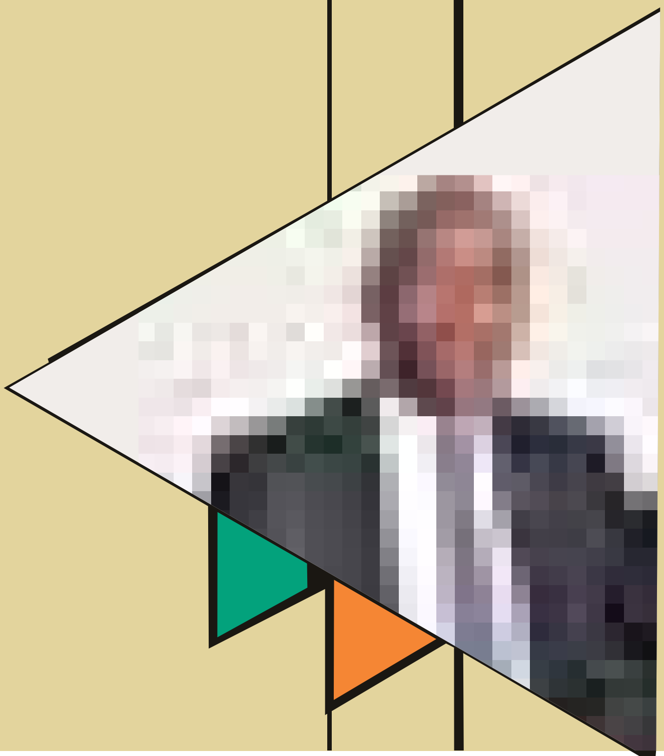
B.Sc, MBA, MCP, MCSA, AIIN

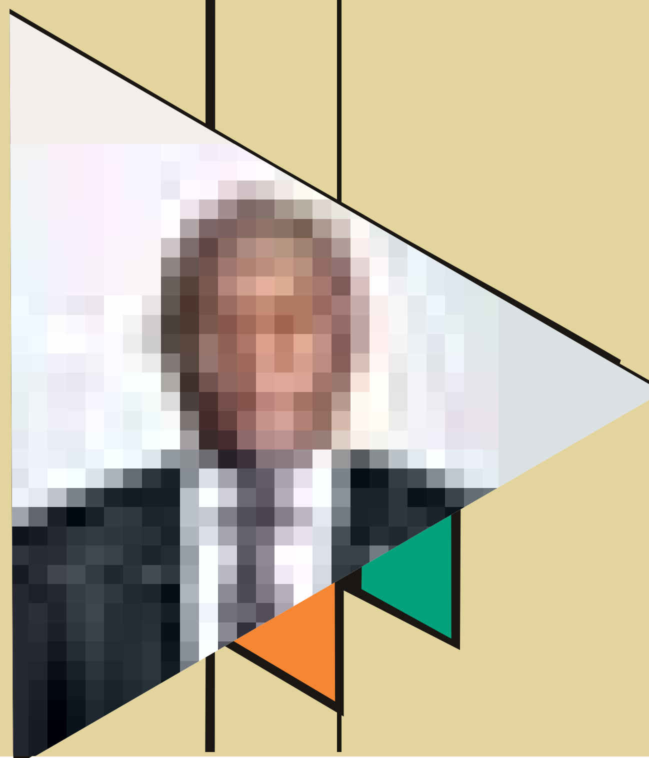
A 1993 Computer Science Graduate from the University of Lagos and a master's degree holder in Business Administration from the University of Port Harcourt. Lekan Oguntunde is charged with the responsibility of providing seamless, cutting-edge Information and Communication Technology interventions for the organisation.

He is a Microsoft Certified Professional, MCP and also a Microsoft Certified System Administrator, MCSA. He is a professional Member of the Business Process Transformation Group, BPTG, in the United Kingdom. Lekan is an Alumnus of the Lagos Business School having completed the Advanced Management Programme of the Institution and also an Associate of the Chartered Insurance Institute of Nigeria.

He has worked with some notable insurance companies in time past, before joining Sovereign Trust Insurance Plc in 2006. He has at various times attended both local and international management and Leadership courses in the course of his career.

Designation: Assistant General Manager/ Head, ICT





SAMUEL OSENI
HND, MBA, AIIN, FCA

Samuel Oseni, as he is fondly called by colleagues, is an all-around experienced professional with over 20 years hands-on experience in marketing, underwriting and administration. Samuel is an Associate of the Institute of Chartered Accountants of Nigeria, (ICAN) and the Chartered Insurance Institute of Nigeria, (CIIN) respectively. He is an Insurance graduate from the Lagos State Polytechnic and also holds an MBA from Obafemi Awolowo University, Ile-Ife. He heads the Internal Audit Department.

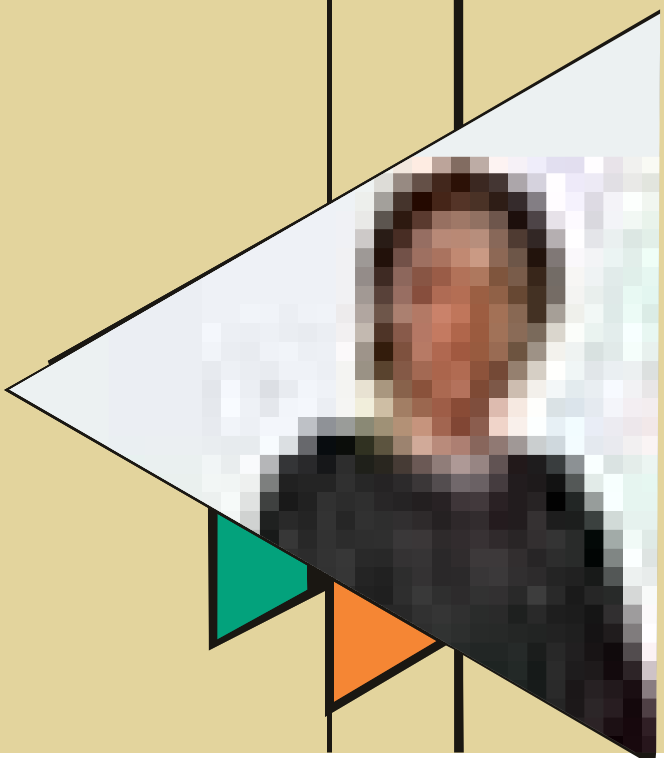
He is an Alumnus of Lagos Business School having completed the Senior Management Programme of the Institution. He is equally a member of the Prestigious Ikoyi Club 1938.

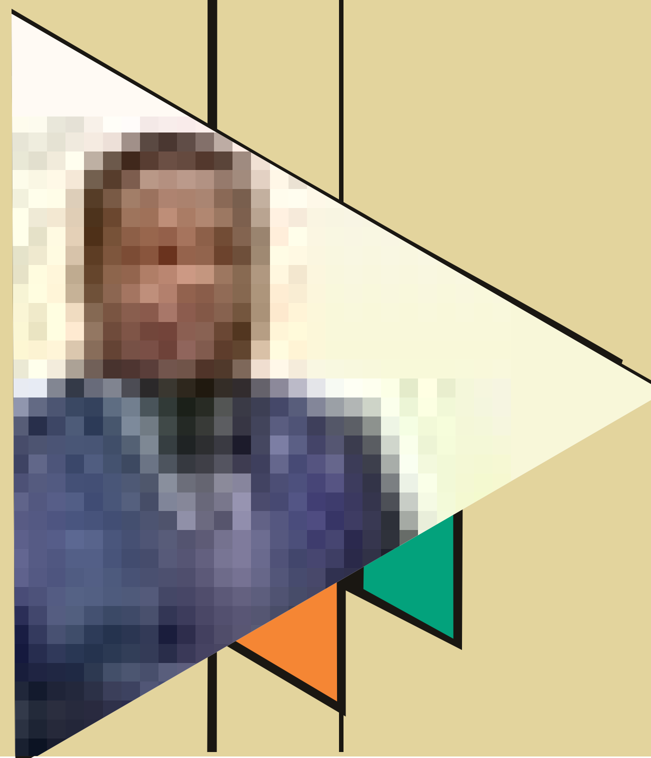
Designation: Assistant General Manager/ Head, Internal Audit

TAJUDEEN RUFAI
AIIN

Tajudeen Rufai is a Chartered Insurer of repute with over two decades work experience garnered from years of working for both Insurance and Reinsurance companies. He has attended several insurance and management courses locally and internationally. He is presently an Associate Member of both the Chartered Insurance Institute of London and Chartered Insurance Institute of Nigeria, respectively.He brings his wealth of experience to bear as the Divisional Head, Technical in the organization.

Designation: Assistant General Manager/ Head, Reinsurance





ANGELA ONOCHIE

B. Sc, MBA, AIIN

Angela Onochie is charged with the responsibility of coordinating and supervising the operations of the company's branch network in the eastern region.

She graduated from the University of Calabar with a Bachelor of Science degree in Zoology and has virtually traversed all the major divisions in the organization, namely, Technical, Human Resources, Administration and Marketing. She also holds a Masters of Business Administration from University of Port-Harcourt in Management. She is an alumnus of Lagos Business School having completed the Senior Management Programme (SMP 71) of the School.

Angela who joined the company at inception holds a Postgraduate Diploma in Management from the University of Calabar and she is an Associate of the Chartered Institute of Insurance of Nigeria, CIIN. She has attended series of management courses.

Designation: Assistant General Manager/ Head, Eastern Area Operations

LUCAS A. DUROJAIYE

HND(INS),MBA, AIIN

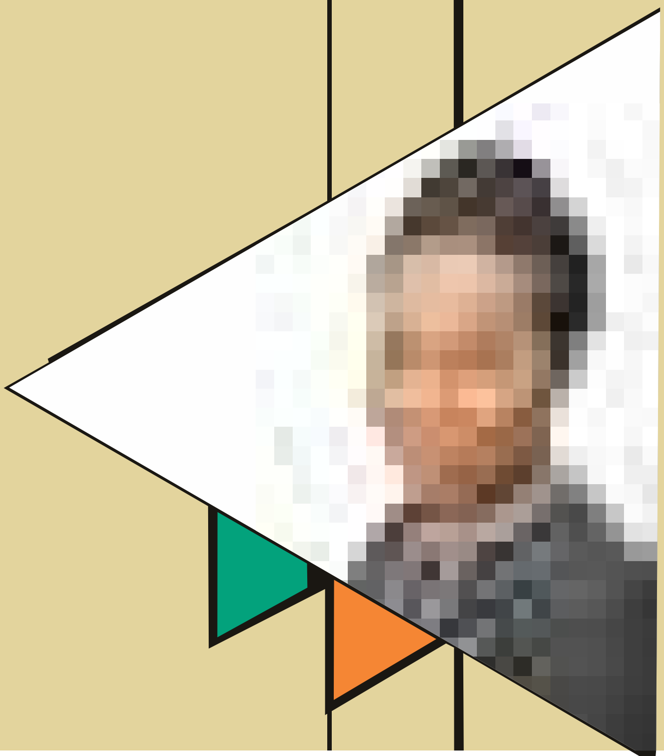
Lucas as he is fondly called by colleagues and friends is a Graduate of Insurance from Lagos State Polytechnic, (LASPOTECH). He holds a Post Graduate Diploma in Business Strategy and an MBA from Anglia Ruskin University, London, United Kingdom.

His foray in Insurance spans over 19 years with varied cognate experience which cuts across, Insurance Administration (Brokerage Services, Underwriting, General Insurance, Investment/Life Operations, Technical/ Claims, Risk management, Business Development as well as Public Relations.

A charismatic motivator and team player, Lucas' latent managerial ability is hinged on effective leadership, sound communication and decision-making skills coupled with interpersonal and problem-solving abilities with a corporate focus and result-driven attitude.

He is both an Associate Member of the Chartered Insurance Institute of Nigerian, AIIN and the Nigerian Council of Registered Insurance Brokers, NCRIB, respectively. Lucas Adekunle Durojaiye is also a Chartered Fellow of the Institute of Credit Administration of Nigeria and the Institute of Loan & Risk Management as well. He is an alumnus of the Lagos Business School, having successfully completed the Senior Management Programme, SMP 51 of the School.

Designation: Assistant General Manager/ Head, Northern Area Operations



ABISOLA ASAJU
B.A (HONS), MBA, NIM

Bisola Asaju graduated from Obafemi Awolowo University, Ile-Ife with a B.A (Hons) in the Faculty of Humanities in the English Studies Department. She also holds an MBA from Ladoke Akintola University, Ogbomosho, Oyo State.

She is an alumnus of Lagos Business School having completed the Senior Management Programme (SMP) of the School. An Associate Member of the Nigerian Institute of Management (NIM).

She joined the Company as one of the pioneer staff in 1995 and has traversed some of the Divisions in the Organization ranging from Technical, Human Resources and Administration.

Bisola is charged with the responsibility of supervising and coordinating the operations of the General Internal Services Department for Sovereign Trust Insurance Plc.

Designation: Assistant General Manager/ Head, General Internal Services

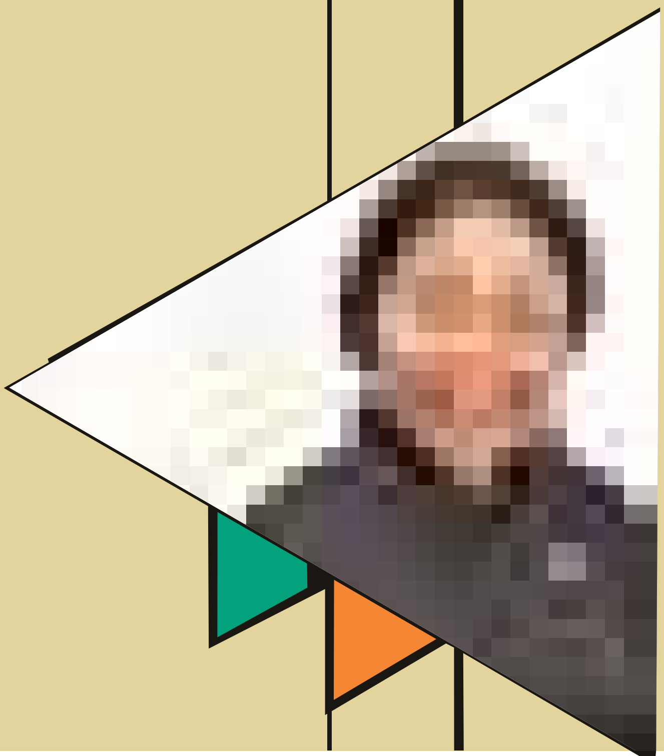
NIYI OLAITAN
HND, FCA

Gbeminiyi Olaitan is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria respectively. He is an alumnus of Lagos Business School having successfully completed the Senior Management Programme of the School.

He holds a Higher National diploma in Food Science and Technology from Yaba College of Technology.

His sojourn in the accounting profession started with Okay Consult before joining Sovereign Trust Insurance Plc in 1999 where he has risen through the ranks to his current position as an Assistant General Manager (Finance and Accounts) in the Finance and Corporate Services Division.

Designation: Assistant General Manager/ Head, Finance & Accounts



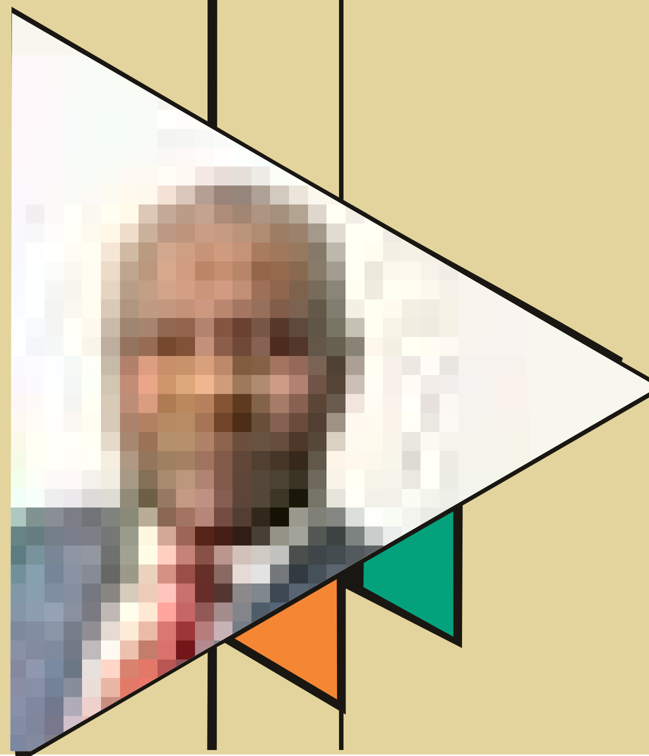
VICTORIA EZE
B.SC, MBA, AIIN, NIM

Victoria Eze is charged with supporting the attainment of the strategic corporate goals of the organization through developing plans and leading the marketing and business growth efforts of the Lagos Area offices in accordance with STI strategic business objectives.

She is a graduate of both the Institute of Management Technology, Enugu, and Federal Polytechnic, Oko. She also holds a master's degree in Business Administration with a specialty in marketing from ESUT Business School. She is a member of the Nigerian Institute of Management (NIM), and an associate of the Chartered Insurance Institute of Nigeria (CIIN). She has attended numerous leaderships, management, and executive courses in the duration of her career.

Victoria joined the Organization in 1995. Her cognate 24 years work experience cuts across administration, brokerage, underwriting, administration, Retail and Business Development, Branch Operations and Marketing.

Designation: Assistant General Manager/ Head, Sales & Client services 2

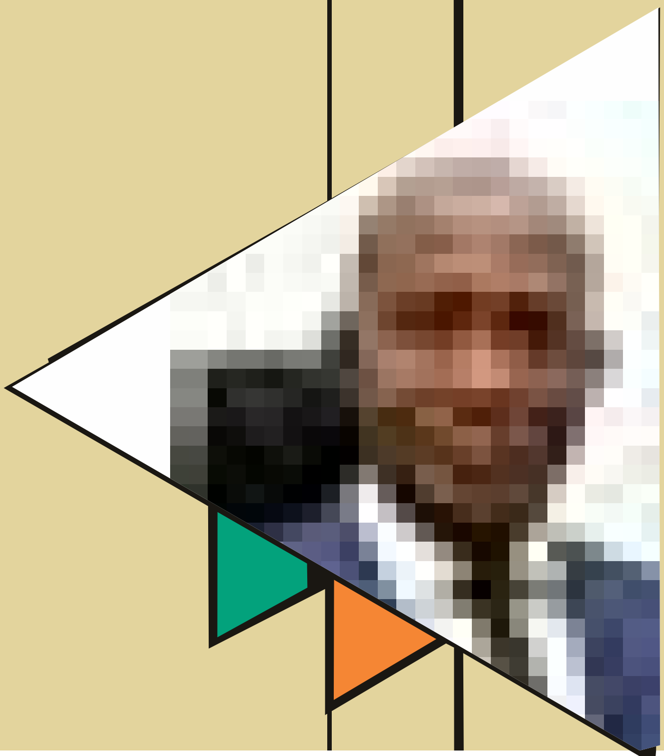


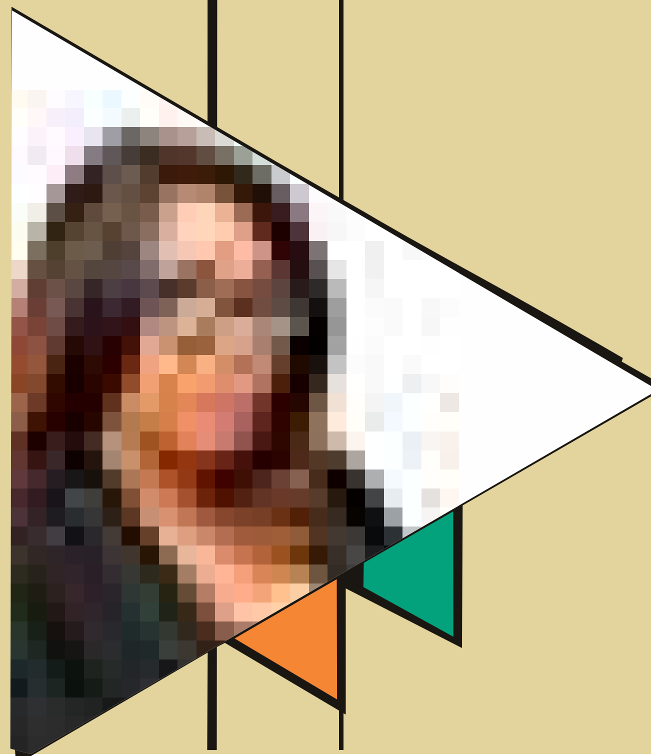
AKINWUNMI AKINRINMADE
B.SC, M.SC, AIIN

Akin Akinrinmade is a Chartered Insurer with expertise in Special Risks/Exploration and Production Insurance. He is the Head of Energy Department of Sovereign Trust Insurance Plc. He started his Insurance career over 17 years ago as Claims Officer at Alliance & General Insurance Co. Limited and rose through the ranks working between Technical and Marketing arms of the company until his resignation in 2006. He worked briefly in the Marine Department of Leadway Assurance Co. Ltd before joining Sovereign Trust Insurance Plc in 2007.

He obtained his first degree in Accounting from Lagos State University, Ojo (LASU) and holds a Master of Science (M.Sc.) degree in Marketing from University of Lagos. He is an Associate of the Chartered Insurance Institute of Nigeria (CIIN) and has attended several technical, management and Leadership courses both at home and abroad.

Designation: Assistant General Manager/ Head, Energy





LEKAN ALAYANDE
HND, MBA, AIIN

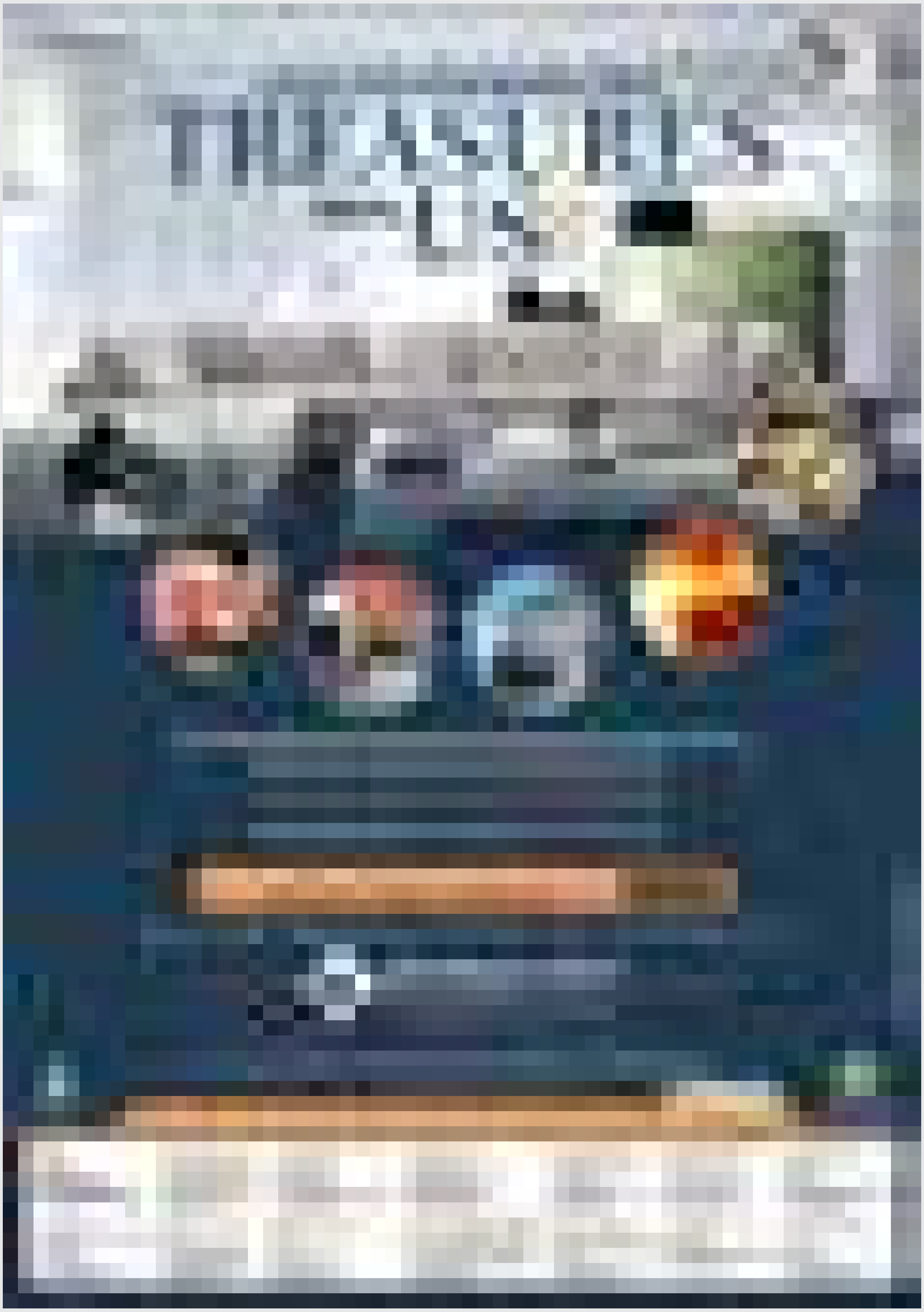
Lekan Alayande is an erudite insurance professional with over 20 years of experience in Sovereign Trust Insurance Plc,where he has held several positions spanning through underwriting of Special Risk and Claims Administration. Lekan is an Associate member of the Chartered Insurance Institute of Nigeria (CIIN). He is an Insurance graduate from the Lagos State Polytechnic and also holds an MBA in Management from Obafemi Awolowo University, Ile-Ife. He has at various times attended several Technical, Management and Leadership Courses in the course of his career. He brings his wealth of experience to bear as the Head, Marine & Aviation Department.

Designation: Assistant General Manager/ Head, Marine & Aviation

EBINYU FALOUGHI
BBA, MA

Ebinyu Faloughi is a seasoned Insurance Professional having worked with some of the world's notable insurance firms such as American International Group, (AIG) and Ace Group Limited, respectively. She holds a BBA in Risk Management & Insurance from Fox School of Business, Temple University, Philadelphia PA, USA. She also holds a master's degree from Haub School of Business, St. Joseph's University, Philadelphia PA, USA.

Designation: Assistant General Manager/ Head, Motor



1 LEGAL FORM AND PRINCIPAL ACTIVITY

In compliance with the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011, the Directors have pleasure in submitting to the members their report together with the audited financial statements of Sovereign Trust Insurance Plc ("the Company") for the year ended 31 December 2019.

The Company was incorporated as a limited liability company on 26 February 1980 and commenced business on 2 January 1995 as a non-life insurer with an authorized share capital of ₦30 million and a fully paid up share capital of ₦20 million following the acquisition and recapitalization of the then Grand Union Assurance Limited.

The Company which was licensed to carry out business in all classes of Non-Life insurance and as special risk insurers currently has authorized share capital of ₦7.5 billion divided into 15 billion units of 50kobo per share with a paid up capital of ₦5.68 billion divided into 11.36 billion units of 50kobo per share.

The Company's Corporate Head Office is at Victoria Island, Lagos with 12 other branches spread across major cities and commercial centers in Nigeria. The Company became a Public Limited Company (PLC) on 7 April 2004, and was listed on the Nigerian Stock Exchange on 29 November 2006.

2 OPERATING RESULTS

in thousands of Nigerian Naira	2019	2018
Gross premium written	10,879,656	10,513,078
Net premium income	5,950,253	5,061,377
Net claims expenses	(2,209,130)	(1,787,492)
Profit before income tax	819,011	540,554
Income tax expense	(315,629)	(196,318)
Profit after income tax	503,382	344,236

3 DIVIDEND

No dividend is proposed in respect of the current year (2018: Nil).

4 BUSINESS REVIEW AND FUTURE DEVELOPMENT

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 will be contained in the Director's Report in the Annual Report.

5 DIRECTORS

The names of the Directors at the date of this report and of those who held offices during the year are as follows:

Mr. Oluseun O. Ajayi	Chairman	
Mr. Olaotan Soyinka	Managing Director/CEO	
Mrs. Ugochi Odemelam	Executive Director	
Mr. Jude Modilim	Executive Director	
Ms. Emi Faloughi	Non Executive Director	
Ms. Omozusi Iredia	Non Executive Director	
Mr. Abimbola Oguntunde	Non Executive Director	
Mr. Odoh Shedrack Chidozie	Non Executive Director	Appointed 29 November 2019
Mr. Samuel Egube	Non Executive Director	Retired 25 July 2019
Col. Musa Shehu (Rtd), OFR	Independent Director	

6 DIRECTORS' INTERESTS

The names of the Directors and their interests in the issued and paid up share capital of the Company as recorded in the Register of Directors' shareholdings as at 31 December 2019 are as follows:

Name	Number of direct Ordinary Shares held in 2019	Number of indirect Ordinary Shares held in 2019	Total 31 Dec 2019	Total 31 Dec 2018	Indirect Representation on the Board
Mr. Oluseun O. Ajayi	666,156,859	892,725,284	1,558,882,143	562,588,096	Sovereign Investments Ltd
Mr. Olaotan Soyinka	8,298,960	-	8,298,960	1,532,640	
Mrs. Ugochi Odemelam	6,735,481	-	6,735,481	4,490,321	
Ms. Emi Faloughi	27,024,097	821,572,742	848,596,839	848,596,839	TEEOF Holdings Ltd
Ms. Omozusi Iredia	-	392,282,401	392,282,401	392,282,401	TWSN Limited
Mr. Abimbola Oguntunde	642,496	-	642,496	642,496	
Mr. Odoh Shedrack Chidozie	-	2,499,000,000	2,499,000,000	1,575,000,000	Morning Side Capital Partners Limited
Mr. Jude Modilim	3,308,985	-	3,308,985	2,205,990	
Col. Musa Shehu (Rtd), OFR	-	-	-	-	

7 DIRECTORS' INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2019.

8 COMPLAINT MANAGEMENT POLICY

In compliance with the Securities and Exchange Commission (SEC) rules relating to the Complaints Management Framework of the Nigerian Capital Market, Sovereign Trust Insurance Plc has adopted a Complaints Management Policy. The Company shall receive and entertain all Shareholders' complaints arising out of issues covered under the Investments and Securities Act (ISA), 2007 the Rules and Regulations made pursuant to the ISA, the rules and regulations of Securities Exchanges and guidelines of recognised trade associations as directed.

9 ACQUISITION OF OWN SHARES

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

10 COMPANY'S DISTRIBUTORS

The Company's products are marketed by insurance brokers and agents throughout the country. The Company also employs the direct marketing method to source for insurance business.

11 INSURANCE TECHNICAL AGREEMENTS

The Company had reinsurance treaty arrangements with the following companies during the year:

- African Reinsurance Corporation
- Aveni Reinsurance Company Limited
- Continental Reinsurance Plc
- WAICA Reinsurance Corporation

12 CORPORATE GOVERNANCE

The Company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of our stakeholders.

13 SECURITIES TRADING POLICY

In line with the Nigerian Stock Exchange amended rules, Sovereign Trust Insurance Plc has policy guiding Directors, officers, key management personnel, contractors and all other employees dealing in the securities of the Company.

The policy aims to ensure that the reputation of the Company is not adversely impacted by perceptions of trading in the Company's securities at inappropriate times or in an inappropriate manner.

The policy's intention is to ensure that Directors, officers and other Company personnel do not make improper use of "price sensitive information" gained through their position or engagement in the Company.

14 SUSTAINABILITY ISSUES

Code of Business & Ethical Conduct

In line with our vision of maintaining and promoting good corporate governance, the company established and enforce a Code of Business & Ethical Conduct. This Code is applicable to and must be complied with by the Company's Directors, Employees, Term Contract Staff, Third Party Personnel, as well as the Company's Business Partners.

The objective of this Code of Business and Ethical Conduct is to promote a culture of Ethics and Compliance in our Company and to define the way and manner we shall conduct our business in a way that truly reflects the values we profess.

Integrity is one of our core values as a Company. Others include, Superior Customer Service, Innovation, Professionalism, Team Spirit and Empathy. By acting with integrity, we reflect positively on the image and reputation of our Company and our Brand.

Sovereign Trust Insurance Plc's operations are conducted in an open and transparent manner in accordance with the provisions of the relevant laws, ethical and professional standards.

Health Safety and Welfare at Work

The Company strictly observes all health and safety regulations. The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. Fire prevention and fire fighting equipment are installed in strategic locations within the Company's premises.

In addition, free medical services are provided for the Company's employees and their families through a reliable Health Management Organization (HMO).Financial provision is made for all employees in respect of transportation, housing and meals. The Company also operates a contributory pension plan in line with the Pension Reform Act 2014.

Employee Involvement and Training

The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress. Views of employees are sought where practicable on matters which particularly affect them as employees. The Company runs an open-door management policy. Professionalism and technical expertise are the Company's major assets, and investment in developing such skills is continuous. The Company's expanding skills base is being brought about by a wide range of in-house and external training. Our diversity and inclusion practices are a competitive advantage to our business. We always aim to provide equal opportunities that will enable all our employees to learn, grow and build successful careers for themselves. We ensure that all our employees are treated fairly, and with respect regardless of their nationality, tribe, sexual orientation or religious beliefs.

Incentive schemes designed to meet the circumstances of everyone are implemented wherever appropriate and some of these schemes include staff retirement benefit, productivity bonus, promotion and salary review.

Gender Distribution
The number and percentage of employees as at 31 December 2019 based on gender distribution are as follows:

	Male Number	Female Number	Male %	Female %
Employees	115	61	65	35

Gender distribution of Board and Senior Management is as follows:

	Male Number	Female Number	Male %	Female %
Board	6	3	67	33
Senior Manage-ment	17	6	74	26

Detailed analysis of the Board and Senior Management is as follows:

	Male Number	Female Number	Male %	Female %
Assistant General Manager	7	4	64	36
Deputy General Manager	3	0	100	0
General Manager	1	0	100	0
Executive Director	1	1	50	50
Chief Executive Officer	1	0	100	0
Non-Executive Director	4	2	67	33

Employment of Physically Challenged Persons
It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. All employees whether physically challenged or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their career.

Social Investment Policy
The adoption of a Corporate Social Responsibility agenda as a corporate strategy in advancing the course of Sovereign Trust Insurance Plc Brand in the comity of Nigerian business organizations is geared at making enduring and progressive changes for the advancement of the public with particular regards to our operating environment both at local and national levels. As a responsible Corporate Citizen, the company places high premium on ethical, legal and moral elements in providing intervention/support to any organization or community when the need to do so arises.

Focus Area
Three major areas of concentration as regards our intervention both on short and long-term basis shall be on **Health, Sports and the Environment, HSE**. The company shall from time to time evaluate these areas of focus based on inside-out and outside-in approach. This basically suggest that CSR projects or initiatives can be internally identified and executed, and it can also collaborate with external organizations, consultants and intervention agencies on proposals that are considered to promote good, equitable and healthy society in line with our identified CSR platforms.

The company shall not discriminate or be biased in adopting CSR initiatives on the basis of gender, religion or social class. However, initiatives with political colouration as a matter of policy will not be entertained by the organization regardless of the proponents of such initiatives.

Sovereign Trust Insurance Plc's Corporate Social Responsibility springboard is categorized under the following thematic schemes namely;

Health
The Company's focus in this regard is intended to foster and support initiatives

in the Health Sector geared towards improving the quality of lives of the Nigerian populace. The Company shall on an annual basis commit both human and financial resources to initiatives that will help in emancipating the citizenry from life-threatening health challenges at all levels of the country's social strata with a view to advancing the Human Capital Resources of the Nigerian Economy thereby projecting the organization as a Pioneering Leader in Health-related concerns.

Sports
As it has been identified that sports is a common unifying denominator for the country, our intervention in this area will be focused on using this human activity to promote, advance and reinforce the unity of Nigeria by collaborating from time to time with various sporting organizations and professionals by committing a portion of the company's resources to the development of sports in the country at all strata of the country's government structure with a view to generating mass appeal awareness for the STI Brand through this platform.

Environment (Community)
Our role here will be to play an active part in the development and enhancement of the Nation's environment by supporting key infrastructural projects solely or in partnership with any level of the Government structures, Civil Societies and Private Organizations across the country. Fundamentally, the main objective for the company in this regard will be to amplify the campaign against degradation and depletion of our environment in any form. All other progressive human endeavours ranging from Arts, Science, Social Sciences and Humanities et al shall benefit from the company's CSR machinery under the Environmental platform.

Sustainability Mode
In accentuating the company's set out CSR initiatives and to effectively engage all stakeholders in providing sustainable intervention for its entire programme on a year-on-year basis, The Company shall deliberately set aside a portion of its annual operating budget for the execution of same.

The aspiration of the Company in the years ahead is to put in place a pool of funds to be managed under the yet-to-be-established STI Foundation with well-meaning and credible Nigerians providing trusteeship support to the Foundation.

Compliance with Laws, Rules and Regulations
Obeying the law, both in letter and in spirit, is the foundation on which our Company's ethical standards are built.

All employees must respect and obey the laws, rules and regulations of the states and countries in which the Company operates. Although employees are not expected to know the details of each of these laws, rules and regulations, it is important to know enough to determine when to seek advice from line managers or other appropriate personnel. Employees are reminded that ignorance of the law is not a defense. This fundamental principle applies in all jurisdictions.

We do not condone bribery or corruption in any form. We are proud of our reputation as a trusted and respected business with integrity. We do not tolerate any form of corruption whether directly by employees or indirectly through business partners who act on our behalf.

The Board
Sovereign Trust Insurance Plc is headed by an effective Board of Directors, which is collectively responsible for the successful management of the Company. The traditional role of Sovereign Trust Insurance Plc's Board is to provide the Company with entrepreneurial leadership within a frame work of prudent and effective controls which enables risk to be assessed and managed while deploying the Company's resources to profitable use. The Board is responsible for determining the Company's objectives, corporate strategy, core values and standards to ensure that the necessary financial and human resources are in place to assist management in the day to day running of the Company.

Director Nomination Process
The Board's Enterprise Risk Management and Governance Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

With respect to new appointments, the Board Enterprise Risk Management and Governance Committee identifies, reviews and recommends candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefit of diversity on the Board, including gender as well as the balance and mix of appropriate skills and experience.

Shareholding in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of the National Insurance Commission (NAICOM) and shareholders at the Annual General Meeting.

Induction and Continuous Training of Board members

On appointment to the Board and to Board Committees, all Directors receive an induction tailored to meeting their individual requirements. The new Directors go through an orientation focusing on the Company and its operations with a view to acquiring a detailed understanding of the Company's operations, its strategic plan, its business environment, the key issues the Company faces and to introduce Directors to their fiduciary duties and responsibilities.

The training and education of Directors on issues pertaining to their oversight functions is a continuous process, to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

15 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date which could have a material effect on the financial position of the Company as at 31 December 2019 or its financial performance for the year then ended that have not been adequately provided for or disclosed.

16 EQUITY RANGE ANALYSIS

The range of shareholding as at 31 December 2019 is as follows:

Range	No. of Holders	Percent	Unit	Percent
1 - 1,000	1,046	11%	477,259	0%
1,001 - 5,000	1,694	18%	5,012,695	0%
5,001 - 10,000	1,059	11%	7,920,249	0%
10,001 - 50,000	2,818	31%	71,183,163	1%
50,001 - 100,000	951	10%	67,892,490	1%
100,001 - 500,000	1,146	12%	237,949,580	2%
500,001 - 1,000,000	188	2%	137,574,359	1%
1,000,001 - 5,000,000	209	2%	444,001,675	4%
5,000,001 - 10,000,000	32	0%	249,045,301	2%
10,000,001 - Above	66	1%	10,143,409,243	89%
	9,209	100%	11,364,466,014	100%

Substantial interest in shares

According to the register of members as 31 December 2019, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

SHAREHOLDERS WITH 5% SHAREHOLDING AND ABOVE

	2019		2018	
NAME	No. of Holding	% of Holding	No. of Holding	% of Holding
Morning Side Capital Partners Ltd	2,499,000,000	21.99%	1,575,000,000	18.88%
Trust Banc Nominee	900,000,000	7.92%	900,000,000	10.79%
TEEOF Holsing Ltd	821,572,742	7.23%	821,572,742	9.85%
Tripple Tees Endowment Limited	684,381,657	6.02%	-	0.00%
Sovereign Investments Limited	668,147,204	5.88%	-	0.00%
Ajayi Oluseun O.	666,156,859	5.86%	-	0.00%
Others	5,125,207,552	45.10%	5,044,250,554	60.48%
	11,364,466,014	100%	8,340,823,296	100%

17 DONATIONS AND SPONSORSHIP

The tax allowable donations and sponsorship made during the year was 1,500,000 (2018: 1,750,000).

For the year ended 31 December 2019 *in thousands of Nigerian Naira*	2019	2018
Marketplace Foundation	500	-
Olashore Intenational School	500	-
Chartered Institute of Taxation of Nigeria VI and Lekki District Society	250	-
Chartered Insurance Institute of Nigeria	150	1,250
Institute of Chartered Accountant of Nigeria (Lagos Mainland and District Society)	100	-
Teenage Life	-	300
Autism Awareness	-	200
	1,500	1,750

18 PROPERTY, PLANT AND EQUIPMENT

Information relating to the Company's property, plant and equipment is detailed in the Note 23 to the financial statements.

19 BOARD COMMITTEES

The Board, in compliance with the guidelines of the National Insurance Commission carried out its oversight function through its standing committees, each which has a charter that clearly defines its purpose, composition and structure, frequency of meeting, duties, tenure and reporting lines to the Board.

The Board functions through these committees, whose membership are as follows:

a Enterprise Risk Management and Governance Committee

1. Colonel Musa Shehu (Rtd)(OFR)	Chairperson
2. Ms. Emi Faloughi	Member
3. Mr. Abimbola Oguntunde	Member
4. Mr. Samuel Egube	Member
5. Mrs. Ugochi Odemelam	Member

b Finance, Investment and General Purposes Committee

1. Ms. Omozusi Iredia	Chairperson
2. Ms. Emi Faloughi	Member
3. Mr. Olaotan Soyinka	Member
4. Mr. Samuel Egube	Member
5. Mr. Abimbola Oguntunde	Member
6. Mr. Jude Modilim	Member

c Audit and Compliance Committee

Pursuant to Section 359(3) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Company has in place an Audit Committee comprising two shareholders and two Directors as follows:

1. Mr. Babatunde Adaramaja	Shareholder Representative - Chairman
2. Mr. Emmanuel Oluwadare	Shareholder Representative
3. Ms. Emi Faloughi	Non-Executive Director
4. Ms. Omozusi Iredia	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

All the committees endeavoured to perform their duties competently during the the year ended 31 December 2019.

20 RECORD OF COMMITTEES ATTENDANCE

a Record of attendance at board meetings for the year 2019

DIRECTORS	6-Mar-19	14-Mar-19	21-May-19	24-Jul-19	29-Nov-19
Mr. Oluseun O. Ajayi	Yes	Yes	Yes	Yes	Yes
Mr. Olaotan Soyinka	Yes	Yes	Yes	Yes	Yes
Mrs. Ugochi Odemelam	Yes	Yes	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	No	Yes	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes	Yes
Mr. Abimbola Oguntunde	Yes	Yes	Yes	Yes	Yes
Mr. Samuel Egube	Yes	Yes	Yes	No	No
Col. Musa Shehu (Rtd), OFR	No	Yes	Yes	No	Yes

b Record of attendance at the Finance, Investment & General Purposes Committee meetings for 2019

MEMBERS	29-Apr-19	23-Jul-19	28-Nov-19
Ms. Omo Iredia	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes
Mr. Abimbola Oguntunde	Yes	Yes	Yes
Mr. Samuel Egube	Yes	Resigned	Resigned
Mr. Olaotan Soyinka	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes

c Record of attendance at the Enterprise Risk Management & Governance Committee meetings for 2019

MEMBERS	20-May-19	29-May-19	28-Nov-19
Col. Musa Shehu (rtd) (OFR)	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes
Mr. Abimbola Oguntunde	Yes	Yes	Yes
Mr. Samuel Egube	Yes	Resigned	Resigned
Mrs. Ugochi Odemelam	Yes	Yes	Yes

d Record of attendance at the Audit & Compliance Committee meetings for 2019

MEMBERS	6-Mar-19	14-Mar-19	29-Aug-19	28-Nov-19
Mr. Babatunde Adaramaja	Yes	Yes	Yes	Yes
Mr. Emmanuel Oluwadare	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	No	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes

21 AUDITORS

The Auditors, Messrs. Ernst & Young, have expressed their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY OR DER OF THE BOARD

EQUITY UNION LIMITED
(Corporate Secretaries/ Nominees)

Yetunde Martins
FRC/2013/NBA/0000003399

Equity Union Limited
Company Secretary
Lagos, Nigeria

Date 18|03|2020

REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2019

In compliance with Section 359 (6) of the Companies and Allied Matters Act Cap C20 LFN 2004 ("CAMA"), we, the members of the Statutory Audit Committee of Sovereign Trust Insurance Pic ("the Company"), hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and we acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory, and reinforce the Company's internal control systems.
- We have deliberated with the external auditors, 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 auditors' recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.

Mr. Babatunde Adaramaja
Chairman, Audit Committee
FRC/2012/ICAN/000000350
Date: 16 | 03 | 2020

Members of the Audit Committee are:

1	Mr. Babatunde Adaramaja	Chairman
2	Mr. Emmanuel Oluwadare	Member
3	Ms. Emi Faloughi	Member
4	Ms. Omozusi Iredia	Member

Secretary to the Committee
Yetunde Martins

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its financial performance. The responsibilities include ensuring that the Company:

a keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of International Financial Reporting Standards, and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines and circulars issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011;

b establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

d The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines and circulars issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company as at, and of its financial performance for the year end 31 December 2019. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of 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.

Mr. Oluseun O. Ajayi
FRC/2013/CIIN/00000003373
Chairman
Date: 18|03|20

Mr. Olaotan Soyinka
FRC/2013 /CIIN/00000002671
Managing Director/CEO
Date: 18|03|20

CERTIFICATION PURSUANT TO SECTION 60 (2) OF THE INVESTMENT AND SECURITIES ACT NO. 29 OF 2007

FOR THE YEAR ENDED 31 DECEMBER 2019

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2019 that :

- We have reviewed the report;
- To the best of our knowledge; the report does not contain:
  - Any untrue statement of a material fact , or Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;

- To the best of our knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the Company as at, and for the year presented in this report.

- We:
  - Are responsible for establishing and maintaining internal controls
  - Have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
  - Have evaluated the effectiveness of the Company's internal controls as at the date within 90 days prior to the report;
  - Have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

- We have disclosed to the auditors of the Company and the Audit Committee:
  - All significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record. process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
  - Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Mr. Olaotan Soyinka
FRC/2013 /CIIN/00000002671
Managing Director/CEO
Date: 18|03|20

Mr. Kayode Adigun
FRC/2013/ICAN/00000002652
Chief Financial Officer
Date: 18|03|20

Strategies 59-86

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SOVEREIGN TRUST INSURANCE PLC

Report on the audit of the Financial Statements

Opinion
We have audited the financial statements of Sovereign Trust Insurance Plc, ("the Company") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sovereign Trust Insurance Plc as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by the National insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No.6, 2011.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountant 's Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Sovereign Trust Insurance Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Sovereign Trust Insurance Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Report on the audit of the financial statements – continued

Key Audit Matters – continued

Key Audit Matters	How the matter was addressed in the audit
Adequacy of valuation of Insurance Contract Liabilities	
The Company has insurance contract liabilities of ₦3.32 billion (2018: ₦3.09 billion) out of which outstanding claims of ₦1.01 billion (2018:₦935 million) as at 31December 2019 representing 18% (2018: 17%) of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes and therefore we considered it a key audit matter for our audit. Consistent with the insurance industry practice, the Company engages an independent actuary to test the adequacy of the valuation of non-life business as at year end. The complexity of the valuation models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models. Economic assumptions such as interest rates and future inflation rates and actuarial assumptions such as customer behavior and uniform risk occurrence throughout the period are key inputs used to determine these liabilities. Significant judgement is applied in setting these assumptions. Insurance contract liabilities are disclosed in Note 26.1 to the financial statements.	We used our in-house actuarial specialist to assist us in performing the audit procedures in the area of reviewing the Client's Independent Actuary's reports on general business which included among others: i. Review of the appropriateness of assumptions used in the valuation of the insurance contracts by reference to Company and industry data and expectations. ii. Review of the appropriateness of non-economic assumptions used in the valuation of the Insurance contracts in relation to lapse or extension assumptions by reference to company specific and industry data. **Other Key audit procedures are:** i. We reviewed and documented management's process for estimating insurance contracts ii. Performed file review of specific underwriting contracts in order to maximize our understanding of the book business and validate initial loss estimates. iii. Performed subsequent year claim payments to confirm the reasonableness of initial loss estimates.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of t he Directors, Statement of Value Added and Five-Year Financial Summary as required by the Companies and Allied Matters Act , CAP C20 Laws of the Federation of Nigeria 2004. The other information does not include the financial statements and our auditors' 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 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, if 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.

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Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determines necessary to enable the preparation of financial statements that are free from material misstatements, 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.

Auditors' 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 auditors' 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions. misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- 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 auditors' 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 auditors' 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.

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Auditors' Responsibilities for the Audit of the Financial Statements - Continued
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the requirements of Schedule 6 of the Companies and Allied Matters Act. CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003, 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 purpose of our audit;
ii) in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;
iii) the Company's statement of financial position, statement of profit or loss and statement of other comprehensive income are in agreement with the books of account;
iv) in accordance with the provisions of Section 28(2) of the Insurance Act 2003, the statement of financial position, statement of profit or loss and statement of other comprehensive income gives a true and fair view of financial position and financial performance of the Company.

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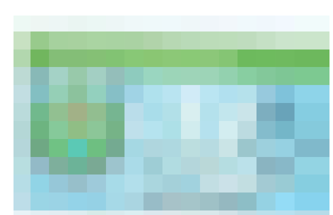
Oluwasayo Elumaro,
FCA FRC/2012/ ICAN/00000000139

for: Ernst & Young
Lagos, Nigeria

Date: 18 May, 2020



1 Corporate Information

Sovereign Trust Insurance Plc ("The Company") was incorporated as a limited liability company on 26 February 1980, but was reorganized and commenced business as a reorganized non-life insurance company on 2 January 1995 with an authorized share capital of ₦30 million and a fully paid up capital of the ₦20 million following the acquisition and recapitalization of the then Grand Union Assurance Limited. The Company was listed on the Nigerian Stock Exchange on 29 November 2006.

Sovereign Trust Insurance Plc is regulated by the National Insurance Commission of Nigeria.

The principal activity of the Company continues to be the provision of all classes of non-life insurance and special risk insurance, settlement of claims and Insurance of Policy Holders' Fund. The Company head office is at 17 Ademola Adetokunbo Street, Victoria Island, Lagos with 17 other branches spread across major cities.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Basis of preparation

The preparation of these financial statements have been based on the historical cost basis except for the under mention areas which are mentioned as indicated:
- Investment properties measured at fair value
- Equity instruments measured at Fair value through P/L and through OCI.
- Land and Building are carried at revalued amount.

Statement of compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC) for Interpretations applicable to companies reporting under IFRS. Additional information required by national regulations has been included where appropriate.

In accordance with IFRS 4 Insurance Contracts, the Company has applied existing accounting policies for Non-life insurance contracts, modified as appropriate to comply with the IFRS framework.

The preparation of financial statements in conformity with IFRS requires the Company's Board of Directors to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions or estimates are significant to the financial statements are as disclosed in Note 3.

The financial statements of Sovereign Trust Insurance Plc have been prepared on a going concern basis. The Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

2.3 Presentation currency

The financial statements are presented in Nigerian Naira (₦) and are rounded to the nearest thousand ('000) unless otherwise stated.

2.4 Foreign currencies

Transactions and balances

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

Functional currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company is incorporated in Nigeria and has adopted the Naira as its functional currency.

2.5 *Changes in accounting policies and disclosures*

New and amended standards and interpretations

In these financial statements, the Company has applied IFRS16 – Leases effective for annual periods beginning on or after 1 January 2019, for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019 but did not have an impact on the financial statements of the Company.
The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

IFRS 16 – Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company reassessed all rental contracts to which the Company is a lessee to identify whether a contract is or contains a lease at 1 January 2019. The Company applied the standard to all contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company resolved based on the reassessment of the rental contracts that all leases qualified as short-term leases on the ground that they had original lease term of one year and a remaining lease term of less than 12 months as at 1 January 2019. In many of the lease contracts, there are no extension options and where these exist in other contracts, the Company, being the lessee, does not have reasonable certainty that the extension option will be taken. Based on the reassessment, there are no transition adjustments.

The Company does not have any sale and lease back transaction as at transition date.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for shortterm leases and leases of low-value assets. Refer to Note 3 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company. The Company had no lease previously classified as finance lease as at the transition date.

Refer to Note 3 Leases for the accounting policy prior to 1 January 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

The Company determined whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments. it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings and those of her parents as well as other related parties are in same jurisdictions include deductions related to transfer pricing and the taxation authorities are may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing documentation, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. These amendments did not have any impact on the Company's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are applicable retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
•Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments had no impact on the Company's financial statements as it does not have any employee benefit that include future plan amendments, curtailments, or settlements.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in associate and joint venture, the amendments did not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:
• IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments did not have an impact on the Company's financial statements as there is no transaction where joint control is obtained.

• IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions. These amendments did not have an impact on the Company's financial statements as there is no transaction where joint control is obtained.

• IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's previous practice was is in line with these amendments, the amendments had no impact on the Company's financial statements.

• IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The amendments did not have any impact on the Company's financial statements.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

2.6.1 Cash and cash equivalents for the purpose of Statement of Cash Flow

The cash and cash equivalents for the purpose of the statement of cash flow comprises of cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdraft.

2.7 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from noninsurance contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Business model assessment

There are three business models available under IFRS 9:

- Hold to collect Financial assets with objective to collect contractual cash flows.
- Hold to Collect and sell (Financial assets held with the objective of both collecting contractual cash flows and selling financial assets).
- Other Financial Assets held with trading intent or that do not meet the criteria of either "Hold to Collect" or "Hold to Collect and sell.

The Assessment of the business model requires judgment based on the facts and circumstances as at the date of the assessment. Sovereign Trust Insurance Plc has considered quantitative factors (e.g. expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and financial assets held within the business model are evaluated and reported to management; the risk that affect the performance of the business, model and the financial assets held within the business model. In particular, the way in which those risks are managed; and how management received returns on the assets (i.e. whether the returns are based on fair value of the assets managed or on contractual cash flows collected).

Solely Payments of principal and Interest (SPPI)

If a financial asset is held in either a Hold to Collect or Hold to Collect and Sell model, then an assessment is determined whether contractual cash flows are solely payments of principal and interest on principal amount outstanding at initial recognition is required to determine the classification.

Contractual cash flows that are SPPI on the principal amount outstanding are considered as basic lending arrangement with interest as consideration for the time value of money and the credit risk associated with the principal amount outstanding during the tenor of the agreed arrangement. Other basic lending risks like Liquidity risk and cost of administration associated with holding the financial asset for the specified tenor and the profit margin that is consistent with a basic lending arrangement.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes debt instruments (bonds), fixed deposits with banks and other.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

During the year under consideration, the Company does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

• The rights to receive cash flows from the asset have expired Or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at amortised cost, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the credit rating of the debt instrument by international credit rating agencies like S&P, Moodys and Fitch as well as local ratings by Agusto and Co. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company's debt instruments at amortised cost comprise solely of quoted bonds that are graded in the top investment category and the credit ratings are tracked by the finance and investment teams via publications by International Credit Rating Agencies and trading exchange platforms.

The Company's fixed income investment portfolio consists of Investment grade and high speculative bonds and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the International Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following

- Disclosures for significant estimates Judgements and assumptions - Note 3
- Financial assets at amortised cost
- Other receivables and prepayments

Write off
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Company categorises its receivables for write off when a debtor fails to make contractual payments greater than 360 days past due. Where financial assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in other to comply with the Company's procedures for recovery of amount due.

2.8 Financial liabilities and equity instruments

2.8.1 Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.8.2 Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.8.3 Financial liabilities
Initial recognition and measurement
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company does not have any financial liability that is measured at fair value through profit or loss during the period under review.

2.8.4 Other financial liabilities

Subsequent measurement
Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.8.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished- ie when the obligation specified in the contract is discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is be recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.8.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.9 Other assets

Other receivables principally consist of prepayments, accrued income and sundry debtors and are carried at amortised cost.

2.10 Reinsurance contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

2.10.1 Reinsurance assets

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and ceded policy claims. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing when and only when;
(a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
(b) that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

The carrying amount is reduced to its recoverable amount when there is an impairment loss. The impairment loss is recognised as an expense in the profit or loss. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

2.10.2 Reinsurance recoveries

Reinsurance recoveries in respect of Incurred but not reported (IBNR) claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Company's reinsurance programmes. An assessment is made of the recoverability of reinsurance having regard to available data on the financial strength of the reinsurance companies.

Gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

2.10.3 Reinsurance liabilities

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance liabilities are derecognized when, and only when, it is extinguished

—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

2.11 Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business are deferred by recognising an asset. For other insurance contracts, acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred.

Where such business is reinsured the reinsurers' share is carried forward as deferred income.
Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contracts and tested for impairment at each reporting date. Any amount not recoverable is expensed. They are derecognized when the related contracts are settled or disposed of.

Deferred income - Reinsurance commissions

The Company recognises commissions receivable on outwards reinsurance contracts as a deferred income and amortised over the average term of the expected premiums payable.

2.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in statement of profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited independent external valuer applying a valuation model.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

2.13 Intangible assets

Software

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Its estimated useful life typically varies between 3 and 5 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.14 Property, plant and equipment

Property, plant and equipment are those owned and used by the Company, and are stated in the statement of financial position at cost except for building which are at revalued amount, less any subsequent accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Property, plant and equipment (excluding building) is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Building is measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in statement of other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case, the increase is recognised in the profit or loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line method to write down the cost of assets in equal installments over their estimated useful lives, at the following annual rates:

Land	-
Building	2%
Leasehold improvements	10%
Motor vehicles	25%
Furniture and fittings	15%
Computer and equipment	33.3%
Office equipment	20%
Plant and machinery	15%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.15 Statutory deposit

Statutory deposit represents a deposit of 10% of the regulatory share capital kept with the Central Bank of Nigeria. The amount held will increase or decrease in relation to the amount of paid up share capital in issue. The cash amount held is considered to be a restricted cash balance.

2.16 Insurance contract liabilities

2.16.1 Provision for Outstanding claims and Incurred but not reported (IBNR) claims

Provision for liabilities of insurance contracts is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

Material salvage and other recoveries including reinsurance recoveries are presented as assets.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The liability for Incurred but not Reported (IBNR) claims is calculated at the end of the reporting period, using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability was not discounted for time value of money; and no further provision was made for equalisation or catastrophe reserves (as prohibited by IFRS 4).

These liabilities are derecognised when the obligation to pay a claim is extinguished (i.e. expired, discharged or cancelled).

2.16.2 Provision for unearned premiums and unexpired risks

The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries that is estimated to be earned in subsequent periods. The change in the provision is recorded in the profit or loss to recognize revenue over the period of the risk.

2.16.3 Liability adequacy

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisition cost to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return.

If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the profit or loss and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The unexpired risks provision is assessed in aggregate for business classes which are managed together.

2.17 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 earnings per share amounts are calculated by dividing the net profit by the weighted number of ordinary shares outstanding during the year plus the weighted number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.18 Trade payables

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

2.19 Other payables

Other payables are initially recognised at fair value, fair value represents transaction price and subsequently measured at amortised cost.

2.20 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current taxes include: Company Income Tax at 30% of taxable profit; Education Tax at 2% of assessable profit; Capital Gain Tax at 10% of chargeable gains; and Information Technology Development Levy at 1% of accounting profit. Minimum tax may be computed based on CITA.

2.20.2 Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference, unutilised tax loss and unutilised tax credits.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

2.20.3 Current and deferred tax for the year

Current and deferred tax are recognized in statement of profit or loss, except when they relate to items that are recognized in statement of other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in statement of other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or
different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and
(ii) settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 Employee benefit costs

Defined contribution pension scheme
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

This is done in line with the Pension Reform Act 2014, whereby the minimum rate of Pension Contribution is 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer.

Short-term benefits
Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses when the associated services are rendered by the employees of the Company.

Defined benefit plan
The Company operates a defined benefit plan to employees who are qualified as at the period it was discontinued.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Company recognises related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'Management expenses' in the statement of profit or loss:

- Service costs comprising current service costs, past service costs, and non-routine settlements
- Net interest expense or income

2.22 Borrowings
Finance cost comprise interest payable on loans and bank overdrafts. They are charged to profit or loss as incurred, except those that relate to qualifying assets.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that is an integral part of the EIR. The EIR amortisation is included in finance cost in the profit or loss.

2.23 Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.24 Statutory contingency reserve
The Company maintains Statutory contingency reserve in accordance with the provision of Section 21(2) of the Insurance Act CAP I17, LFN 2004 to cover fluctuations in securities and variations in statistical estimates at a rate equal to greater of 3% of gross premium or 20% of net profits until the accumulated amount reaches the greater of the minimum paid-up capital or 50% of the net premium.

2.25 Dividends
Dividend to the shareholders of the Company is recognised in the period in which the dividend are declared as a first interim dividend approved by the Board of Directors or a second interim dividend approved by the Company's shareholders at the Company's annual general meeting.

Final dividend for the year that are approved after the reporting date are dealt with as event after the reporting date. This is approved by the shareholders at the Annual General Meeting.

2.26 Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific

recognition criteria described below must also be met before revenue is recognised.

2.26.1 Gross written premium

Written premiums comprise the premiums on contracts incepted in the financial year. Written premiums are stated gross of commissions that are payable to intermediaries and exclusive of taxes and duties on premiums.

Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date.

Unearned premiums are calculated on a time apportionment basis.

2.26.2 Fees and commission income

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

2.26.3 *Investment income*

Investment income consists of dividend, interest and rent received, movements in amortized cost on debt securities and other loans and receivables, realized gains and losses, and unrealized gains and losses on fair value assets.

Interest income

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

Dividend income

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

Rental income

Rental income is recognized on an accrual basis.

Realized gains and losses

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Unrealised gains and losses

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

2.27 Benefits, claims and expenses recognition

2.27.1 Insurance Benefits and claims

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

The Company recognises reinsurance claims when the related gross insurance claims are recognised according to the terms of the relevant contracts.

2.27.2 Underwriting expense

Underwriting expenses refer to all expenses, inclusive of net commissions, that are applicable to the servicing of net premiums written. These expenses encompass all that are incurred by an insurance company.

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

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts.

Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting period in which they are incurred.

2.27.3 Other expenses

All other operating expenses are recognized directly in profit or loss and when incurred.

2.28 Leases

Policy applicable before 1 January 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable with effect from 1 January 2019

Initial recognition and measurement

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of a right-of-use asset at inception of the lease includes an estimate of costs to be incurred by the Company 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. The Company incurs the obligation for those costs at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (Real Estate 2 to 5 years)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-

financial assets Property plant and equipment- Note 2.14).

The Company's lease arrangements are majorly real estate leases which include leases of office spaces. These lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

In the financial statements for the current and prior periods, no right of use (ROU) asset is recognized because of the application of short term lease exception.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not clearly stated in the lease contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Rent receivables
Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost.

Tenant deposits
Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

3 Critical accounting judgments and key sources of estimation uncertainty
In the application of the Company's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Critical judgments in applying the Company's accounting policies
The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Going Concern
The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company.

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

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of office spaces and plant and machinery with shorter non-cancellable period (i.e., three to five years) where this is expressly stated in the lease contract or enforceable at law per the lease contract. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on its operation if a replacement asset is not readily available. The renewal periods for leases of office spaces are not included as part of the lease term as these are not reasonably certain to be exercised.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Property lease classification – Company as lessor
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Product classification and contract liabilities
The Company's Non-life insurance contracts are classified as insurance contracts. As permitted by IFRS 4, assets and liabilities of these contracts are accounted for under previously applied GAAP.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Valuation of liabilities of non-life insurance contracts
Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is ₦3.324 billion (2018: ₦3.089 billion).

Fair value of financial instruments using valuation techniques

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

Impairment under IFRS 9

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.

The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. These stages are as outlined below:

Stage 1: The Company recognises a credit loss allowance at an amount equal to the 12 month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after the initial recognition.

Stage 2: The Company recognises a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those financial assets that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on Lifetime probabilities of default that represents the probability of a default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.

Stage 3: The Company recognises a loss allowance at an amount equal to life-time expected credit losses, reflecting a probability of default (PD) of 100% via the recoverable cash flows for the asset. For those financial assets that are credit impaired. The Company's definition of default is aligned with the regulatory definition. The treatment of the loans and other receivables in stage 3 remains substantially the same as the treatment of impaired financial assets under IAS 39 except for the portfolios of assets purchased or originated as credit impaired.

The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when: the Group considers the obligor is unlikely to pay its credit obligations to the company. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Company is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Company's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered.

The lifetime expected losses are estimated basedmon the probability – weighted present value of the difference between:
1) The contractual cash flows that are due to the Company under the contract; and
2) The cash flows that the Company expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:
• The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
• The development of ECL models, including the various formulas and the choice of inputs
Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, interest rate, Gross Domestic Product (GDP) and collateral values, and the effect on Probability of Default (Pds), Exposure at Defaults (EADs) and Lost Given Defaults (LGDs).
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Expected lifetime:
The expected life time of a financial asset is a key factor in determine the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The company measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

4 Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:
• The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
• A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
• Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
• The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
• The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
• Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.
• Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Definition of a Business – Amendments to IFRS 3

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application- 1 January 2020, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

The Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. The Conceptual Framework will have no material impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

These amendments is effective for annual reporting periods beginning on or after 1 January 2020. The Company does not expect these amendments to have impact on its financial statements when they become effective.

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

• The assessment of whether a forecast transaction (or component thereof) is highly probable

• Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss

• The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments.

When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

• For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

• For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.

• For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:
• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Right to defer settlement
The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period
The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

The new guidance will be effective for annual periods starting on or after 1 January 2022.

Facts & Figures

90-145

Pictured: Three historic bridges linking Lagos Island & Mainland Eko Bridge, Carter Bridge and 3rd-Mainland Bridge.

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of Nigerian Naira	Notes	2019	2018
Gross premium written	5	10,879,656	10,513,078
Gross premium income	5	10,714,266	10,338,077
Premiums ceded to reinsurers	5	(4,764,013)	(5,276,700)
Net premium income		5,950,253	5,061,377
Commission income	6	940,991	362,602
Net underwriting income		6,891,244	5,423,979
Net claims expenses	7	(2,209,130)	(1,787,492)
Underwriting expenses	8	(2,608,723)	(1,713,520)
Underwriting profit	43	2,073,391	1,922,967
Investment income	9	405,797	334,495
Fair value (loss)/gain on quoted equities	16.3	(12,480)	13,666
Realised loss on investment property		-	(7,000)
Realised gain/(loss) on equities		9,075	(1,001)
Credit loss reversal/(expense)	12	14,258	(1,325)
Share of profit from associate	20.1	6,492	10,256
Fair value gain on investment properties	21	45,796	39,057
Other operating income	10	309,247	1,000
Management expenses	11	(1,867,755)	(1,658,217)
Result of operating activities		983,821	653,898
Finance costs			
Interest on borrowing	28	(164,810)	(88,487)
Interest on bank overdraft		-	(24,857)
Profit before income tax		819,011	540,554
Income tax expense	13	(315,629)	(196,318)
Profit after income tax		503,382	344,236
Earnings per share:			
Basic (kobo)	14	5.86	4.13
Diluted (kobo)	14	5.86	4.13

Theaccompanyingsummaryofsignificantaccountingpoliciesandnotestothefinancialstatemets are an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of Nigerian Naira	Notes	**2019**	**2018**
Profit after income tax		503,382	344,236
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain in defined gratuity scheme	32.2	-	19,175
Effect of tax at 30%	25.2	-	(5,753)
		-	13,422
Net gain on unquoted equity instruments at fair value through other comprehensive income	16.3	(6,181)	6,058
		(6,181)	6,058
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(6,181)	19,480
Other comprehensive income for the year, net of tax'		(6,181)	19,480
Total comprehensive income for the year, net of tax		**497,201**	**363,716**

The accompanying summary of significant accounting policies and notes to the financial statements are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

in thousands of Nigerian Naira	Notes	2019	2018
Assets			
Cash and cash equivalents	15	7,141,882	5,241,513
Trade receivables	17	536,980	380,632
Investment securities	16	407,288	499,471
Reinsurance assets	18	2,021,507	1,872,344
Deferred acquisition costs	23	327,178	226,893
Other receivables and prepayments	19	275,062	94,584
Investment in associate	20	87,926	81,434
Investment properties	21	973,328	1,128,638
Intangible assets	22	6,123	12,239
Property, plant and equipment	24	1,326,152	1,468,679
Statutory deposit	26	315,000	315,000
Total assets		**13,418,426**	**11,321,427**
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	27	3,324,006	3,088,838
Bank overdrafts	29	-	327,941
Trade payables	30	711,161	759,081
Other payables and accruals	31	77,356	128,910
Current income tax payable	25.1	159,455	108,45 1
Borrowing	28	1,152,429	973,360
Retirement benefit obligation	32.2	-	105,569
Deferred tax liabilities	25.2	207,413	8,922
Total liabilities		**5,631,820**	**5,501,702**
Equity			
Issued and paid-up share capital	33.1	5,682,248	4,170,412
Share premium	33.2	74,057	116,843
Contingency reserve	33 .3	2,974,378	2,647,988
Revaluation reserve	33.4	225,103	225,103
Fair value reserve	33.5	14,213	20,394
Accumulated losses	33.6	(1,183,393)	(1,360,385)
Total equity		**7,786,606**	**5,820,355**
Total liabilities and equity		**13,418,426**	**11,321,427**

The financial statements and accompanying summary of accounting policies and notes to the financial statements were approved and authorised for issue by the Board of Directors on 18 March 2020 and were signed on its behalf by:

Mr. Oluseun O. Ajayi (Chairman)
FRC/2013/CIIN/00000003373

Mr. Olaotan Soyinka (Managing Director/CEO)
FRC/2013/C IIN/00000002671

Mr. Kayode Adigun (Chief Financial Officer)
FRC/2013/ ICAN/00000002652

The accompanying summary of significant accounting policies and notes to the financial statements are an Integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

in thousands of Nigerian Naira	*Note*	**Issued and paid up share capital**	**Share premium**	**Contingency reserve**	**Revaluation reserve**	**Fair value reserve**	**Accumulated losses**	**Total equity**
As at 1 January 2018		4,170,412	116,843	2,332,596	225,103	4,949	(1,377,999)	5,471,904
Impact of adopting IFRS 9		-	-	-	-	9,387	(24,652)	(15,265)
Restated opening balance under IFRS 9		4,170,412	116,843	2,332,596	225,103	14,336	(1,402,651)	5,456,639
Profit after income tax for the year		-	-	-	-	-	344,236	344,236
Other comprehensive income		-	-	-	-	6,058	13,422	19,480
Total comprehensive income for the year		-	-	-	-	6,058	357,658	363,716
Transaction directly affecting equity holder								
Transfer to contingency reserve	33.3	-	-	315,392	-	-	(315,392)	-
As at 31 December 2018		4,170,412	116,843	2,647,988	225,103	20,394	(1,360,385)	5,820,355
Profit after income tax for the year		-	-	-	-	-	503,382	503,382
Other comprehensive income		-	-	-	-	(6,181)	-	(6,181)
Total comprehensive income for the year		-	-	-	-	(6,181)	503,382	497,201
Transaction directly affecting equity holder								
Rights issue in the year		1,511,836	-		-	-	-	1,511,836
Capital raising expenses		-	(42,786)	-	-	-	-	(42,786)
Transfer to contingency reserve	33.3	-	-	326,390	-	-	(326,390)	-
As at 31 December 2019		5,682,248	74,057	2,974,378	225,103	14,213	(1,183,393)	7,786,606

The accompanying summary of significant accounting policies and notes to the financial statements are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

For the year ended 31 December 2019 *in thousands of Nigerian Naira*	Notes	**2019**	**2018**
Operating activities:			
Premium received from policy holders		10,723,308	10,462,094
Claims recovered from reinsurers	7	513,835	2,495,575
Cash paid to and on behalf of employees	11.1	(951,104)	(892,184)
Reinsurance premium paid		(4,906,234)	(5,232,370)
Fees and commission Income	6	940,991	362,602
Commission paid	8	(1,367,839)	(1,208,025)
Maintenance cost paid		(1,341,169)	(293,320)
Other operating cash payments		(680,723)	(356,568)
Investment income	9	405,797	334,495
Claims paid	27.1	(2,782,105)	(4,243,641)
Gratuity benefit paid to employees	32.2	(105,569)	(82,806)
Company income tax paid	25.1	(66,134)	(26,086)
Net cash flows from operating activities	35	383,054	1,319,766
Investing activities:			
Purchase of property, plant and equipment	24	(12,072)	(244,508)
Purchase of intangible assets	22	-	(6,347)
Receipts from loans	16.3	29,183	2,696
Purchase of debt instruments at amortised cost	16.3	(25,144)	(66,903)
Proceeds from bonds maturity	16.3	13,232	39,931
Proceeds on sale of property, plant and equipment		-	1,000
Purchase of investment properties	21	(2,601)	-
Proceeds from disposal of investment properties		30,000	65,000
Purchase of quoted shares	16.3	(72,158)	(105,458)
Proceeds from disposal of quoted stock	16.3	72,157	115,638
Realised gain/(loss) on equities		9,075	(1,001)
disposal of unquoted stock		71,637	-
Proceeds from treasury bill maturity		-	484,197
Net cash flows from investing activities		113,309	284,245
Financing activities:			
Additional share capital	33.1	1,511,836	-
Capital raising expenses	33.2	(42,786)	-
Net cash flows from financing activities		1,469,050	-
Net increase in cash and cash equivalents		1,965,413	1,604,011
Net foreign exchange difference		260,613	-
Cash and cash equivalents at 1 January	34	4,925,404	3,321,394
Cash and cash equivalents at 31 December	34	7,151,430	4,925,404

Theaccompanyingsummaryofsignificantaccountingpoliciesandnotestothefinancialstatementsareanintegral part of these financial statements.

5 Net premium income

Premium earned by principal class of business

in thousands of Nigerian Naira	2019 Premium	2019 Reinsurance	2019 Net	2018 Premium	2018 Reinsurance	2018 Net
Motor	2,286,314	(9,079)	2,277,235	1,591,681	(5,604)	1,586,077
Fire and property	1,819,409	(667,378)	1,152,031	1,720,061	(765,008)	955,053
General accident	918,097	(585,002)	333,095	1,071,432	(410,824)	660,608
Marine and aviation	825,634	(373,669)	451,965	574,468	(211,882)	362,586
Oil and gas	3,889,282	(2,751,689)	1,137,593	3,851,335	(2,783,835)	1,067,500
Car and engineering	1,140,920	(397,743)	743,177	1,704,101	(857,237)	846,864
Gross premium written	10,879,656	(4,784,560)	6,095,096	10,513,078	(5,034,390)	5,478,688
Changes in unearned premium	(165,390)	20,547	(144,843)	(175,001)	(242,310)	(417,311)
Total premium income	10,714,266	(4,764,013)	5,950,253	10,338,077	(5,276,700)	5,061,377

6 Commission income

in thousands of Nigerian Naira	2019	2018
Oil and gas	335,206	175,067
Fire and property	184,998	53,195
General accident	188,433	44,356
Marine and aviation	96,473	30,104
Car and engineering	134,319	59,880
Motor	1,562	-
	940,991	362,602

Commission income represents commission received on direct business and transactions ceded to re-insurance during the year. It is recognised over the life of the contract.

7 **Net claims expenses**

in thousands of Nigerian Naira	Notes	2019	2018
Gross claims paid	27.1	2,782,105	4,243,641
Changes in outstanding claims provision	27.1	69,777	(346,682)
	27.1	2,851,882	3,896,959
Re-insurance recoverable:			
Claims recoveries		(513,835)	(2,495,575)
Changes in outstanding claims due from reinsurers		(128,917)	386,108
		2,209,130	1,787,492

8 **Underwriting expenses**

Acquisition costs incurred:			
Commission paid	23	1,367,839	1,208,025
Changes in deferred acquisition costs		(100,285)	212,175
Commission incurred	23	1,267,554	1,420,200
Maintenance cost		1,341,169	293,320
		2,608,723	1,713,520

Maintenance cost comprise survey. Motor tracking expenses and other related underwriting expenses other than commission payable on premium income.

9 **Investment income**

in thousands of Nigerian Naira	Notes	2019	2018
Interest income		386,464	325,286
Dividend income		16,232	3,406
Rental income from investment properties	21	3,101	5,803
		405,797	334,495

The interest income are mainly income from short term placement with financial institutions and this is calculated using effective interest rate method.

10 **Other operating income**

Gain on disposal of property, plant and equipment		-	1,000
Net foreign exchange gain	10.2	260,613	-
Sundry income	10.1	48,634	-
		309,247	1,000

10.1 **Sundry income**

Included in the sundry income is the WHT recovered in the year. However, this was applied as part payment of current year tax payment.

10.2 **Net foreign exchange gain**

The foreign exchange gain is in relation to revaluation of Company foreign currencies using the Central Bank of Nigeria import and export foreign exchange window as at 31 December 2019.

11 Management expenses

in thousands of Nigerian Naira	Notes	2019	2018
Employee benefits expense	11.1	951,104	892,184
Other expenses	11.2	717,201	542,918
Depreciation on property, plant and equipment	24	154,600	162,691
Exchange difference on Daewoo Bond	28	14,259	22,954
Directors fee and allowance		14,475	17,857
Amortisation of intangible assets	22	6,116	9,613
Auditors' remunerations		10,000	10,000
		1,867,755	1,658,217

11.1 Employee benefits expense

Wages and salaries		887,012	808,594
Defined contribution pension costs	11.1.1	64,092	58,272
Defined benefit plan - Interest cost	32.1	-	25,318
		951,104	892,184

11.1.1 The total contribution pension charged to profit or loss during the year is ₦64.1 million (2018: ₦58.3million).

11.2 Other expenses

in thousands of Nigerian Naira	Notes	2019	2018
Advertising		128,459	106,387
Bank charges		67,358	15,987
Rent and rate		60,270	50,694
Fuel, electricity & energy		52,432	39,317
Insurance		50,429	31,808
Staff training & education		50,176	20,597
NAICOM Levy		39,198	61,247
Transport and travelling expenses		31,739	24,007
Data processing		28,887	18,279
Automobile expenses		24,918	18,576
Office building maintenance and security		28,146	23,941
Gifts		24,616	25,830
Professional fees		24,115	13,965
Telephone expenses		21,924	10,730
Annual general meeting expenses		17,069	13,260
Forms and printing expenses		13,269	10,525
Contribution to I.T.F levy		8,864	9,358
Office and stationery expenses		8,817	5,788
Contribution to NSITF		5,675	4,449
Equipment maintenance & repairs		4,534	5,252
Hotel accommodation		4,135	4,849
Contribution to NHF		3,595	2,101
Periodicals & books		3,352	2,720
Tax consultancy expenses		3,323	3,096
Courier and postages expenses		3,219	3,667
Entertainment		2,684	3,372
Local government dues		1,622	2,249
Security Exchange Commission and Nigerian Stock Exchange expenses		1,504	3,499
Contribution & donation		1,500	1,750
Club membership & subscriptions		1,222	4,973
Staff uniforms		150	645
		717,201	542,918

12 Credit loss (reversal)/expense

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
2019					
Cash in banks and short-term deposits	15.b	(2,284)	-	-	(2,284)
Other receivables and prepayments	19	3,411	-	-	3,411
Debt instruments at amortised cost:					
Bonds		-	(793)	-	(793)
Loans and advances		(14,591)	-	-	(14,591)
	16.2	(14,591)	(793)	-	(15,385)
		(16,875)	(793)	-	(14,258)

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
2018					
Cash in banks and short-term deposits	15.b	2,934	-	-	2,934
Debt instruments at amortised cost:					
Treasury bills		(4,170)	-	-	(4,170)
Bonds		41	-	-	41
Loans and advances		(1,348)	3,868	-	2,520
	16.2	(5,477)	3,868	-	(1,609)
		(2,543)	3,868	-	1,325

13 Income tax expense

The major components of income tax expenses for the year ended 31 December 2019 are:

13.1 Current tax year charge

in thousands of Nigerian Naira	Notes	**2019**	**2018**
Current year tax:			
Company income tax		92,326	45,820
Education tax		16,580	9,164
Information technology levy		8,190	7,814
Police Trust Fund levy		41	-
		117,138	62,798
Deferred taxation:			
Origination of temporary differences		198,491	133,520
		198,491	133,520
Total income tax expense		315,629	196,318

13.2 Reconciliation of tax charge

Profit before income tax	819,011	540,554
Tax at Nigerian's statutory income tax rate of 30%	245,703	162,166
Tax exempt income	(520,339)	(665,011)
Information Technology	8,190	7,814
Non-deductable expenses	565,454	682,185
Police Trust Fund levy	41	-
Education tax @2% of assessable profit	16,580	9,164
	315,629	196,318

14 Earnings per share

Basis earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary share outstanding at the reporting date.

The following reflects the income and share data used in the basic earnings per share computations:

in thousands of Nigerian Naira	Notes	2019	2018
Net profit attributable to ordinary shareholders for basic earnings		503,382	344,236
Total outstanding number of ordinary shares in the year		11,364,496	8,340,824
Weighted average number of ordinary shares for basic earning per share		8,592,797	8,340,824
Basic earnings per ordinary share (kobo)		5.86	4.13
Diluted earnings per ordinary share (kobo)		5.86	4.13

There have been no other transactions involving ordinary share or potential ordinary share between there porting date and the date of authorisation of these financial statements.

There is not potential ordinary shares as at year end.

15 Cash and cash equivalents

As at *in thousands of Nigerian Naira*	Notes	31 December 2019	31 December 2018
Cash in banks		1,974,881	2,798,018
Short-term deposits		5,176,549	2,455,327
	a	7,151,430	5,253,345
Allowance for expected credit loss	b	(9,548)	(11,832)
		7,141,882	5,241,513

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All short-term deposits are subject to an average variable interest rate of 11% per annum (2018: 11%).

15 **Cash and cash equivalents - Continued**

15.1 **Impairment allowance for current account with bank and short-term deposits measure at amortised cost**

a The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Performing					
High grade		-	-	-	-
Standard grade		7,151,430	-	-	7,151,430
Sub-standard grade		-	-	-	-
Past due but not impaired		-	-	-	-
Non-performing					
Individually impaired		-	-	-	-
		7,151,430	-	-	7,151,430

b An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Gross carrying amount as at 1 January 2019		5,253,345	-	-	5,253,345
New assets originated or purchased		4,092,799	-	-	4,092,799
Assets derecognised or repaid		(2,455,327)	-	-	(2,455,327)
Foreign exchange adjustment		260,613	-	-	260,613
At 31 December 2019		7,151,430	-	-	7,151,430

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
ECL allowances as at 1 January 2019		11,832	-	-	11,832
New assets originated or purchased		9,548	-	-	9,548
Assets derecognised or repaid		(11,832)	-	-	(11,832)
Credit loss (reversal)/expense	12	(2,284)	-	-	(2,284)
At 31 December 2019		9,548	-	-	9,548

Credit analysis as at 31 December 2019 *in thousands of Nigerian Naira*	Current account with bank	Short-term deposit	**Total**
Performing			
High grade	-	-	-
Standard grade	1,974,881	5,176,549	7,151,430
Sub-standard grade	-	-	-
Past due but not impaired	-	-	-
Non-performing			
Individually impaired	-	-	-
	1,974,881	5,176,549	7,151,430

15 **Cash and cash equivalents - Continued**

15.1 a Impairment allowance for current account with bank and short-term deposits measure at amortised cost
The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Performing					
High grade		-	-	-	-
Standard grade		5,253,345	-	-	5,253,345
Sub-standard grade		-	-	-	-
Past due but not impaired		-	-	-	-
Non-performing					
Individually impaired		-	-	-	-
		5,253,345	-	-	5,253,345

b An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Gross carrying amount as at 1 January 2018		3,400,291	-	-	3,400,291
New assets originated or purchased		3,618,670	-	-	3,618,670
Assets derecognised or repaid		(1,765,616)	-	-	(1,765,616)
Amount written off		-	-	-	-
At 31 December 2018		5,253,345	-	-	5,253,345

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
ECL allowances as at 1 January 2018		8,898	-	-	8,898
New assets originated or purchased		11,832	-	-	11,832
Assets derecognised or repaid		(8,898)	-	-	(8,898)
Credit loss (reversal)/expense		2,934	-	-	2,934
At 31 December 2018		11,832	-	-	11,832

Credit analysis as at 31 December 2018 *in thousands of Nigerian Naira*	Current account with bank	Short-term deposit	**Total**
Performing			
High grade	-	-	-
Standard grade	2,798,018	2,455,327	5,253,345
Sub-standard grade	-	-	-
Past due but not impaired	-	-	-
Non-performing			
Individually impaired	-	-	-
	2,798,018	2,455,327	5,253,345

16 **Investment securities**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Equity instruments at fair value through profit or loss		160,821	173,300
Equity instrument at fair value through other comprehensive income	16.1	58,181	135,999
Debt securities at amortised cost	16.2	188,286	190,172
		407,288	499,471

16.1 Equity instrument at fair value through other comprehensive income

Pinewood Limited	-	8,000
Waica Reinsurance Corp	55,560	53,462
Citrans Global Limited	-	278
Interconnect Limited	2,621	2,621
OTC quoted equities	-	71,638
	58,181	135,999

16.2 Debt securities at amortised cost

Federal Government bonds		79,706	79,139
State Government bonds		65,430	54,106
Corporate bonds		35,980	35,959
Mortgage loan		14,377	15,824
Loans to corporate		-	27,736
Gross amount	a	195,493	212,764
Allowance for expected credit loss	b	(7,207)	(22,592)
		188,286	190,172

a The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Performing					
High grade		181,116	-	-	181,116
Standard grade		14,377	-	-	14,377
Sub-standard grade		-	-	-	-
Past due but not impaired		-	-	-	-
Non-performing					
Individually impaired		-	-	-	-
		195,493	-	-	195,493

16 **Investment securities - Continued**

16.2 Impairment allowance for debt instruments at amortised cost

b An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Gross carrying amount as at 1 January 2019		185,028	27,736	-	212,764
New assets originated or purchased		25,144	-	-	25,144
Assets derecognised or repaid		(1,447)	(27,736)	-	(29,183)
At 31 December 2019		208,725	-	-	208,725

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
ECL allowances as at 1 January 2019		8,724	13,868	-	22,592
New assets originated or purchased		-	-	-	-
Assets derecognised or repaid		(15,385)	-	-	(15,385)
Credit loss (reversal)/expense	12	(15,385)	-	-	(15,385)
At 31 December 2019		(6,661)	13,868	-	7,207

a The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Performing					
High grade		169,204	-	-	169,204
Standard grade		15,824	-	-	15,824
Sub-standard grade		-	-	-	-
Past due but not impaired		-	-	-	-
Non-performing					
Individually impaired		-	27,736	-	27,736
		185,028	27,736	-	212,764

b An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
Gross carrying amount as at 1 January 2018		639,117	21,736	-	660,853
New assets originated or purchased		60,903	6,000	-	66,903
Assets derecognised or repaid		(514,992)	-	-	(514,992)
At 31 December 2018		185,028	27,736	-	212,764

in thousands of Nigerian Naira	Notes	Stage 1	Stage 2	Stage 3	**Total**
ECL allowances as at 1 January 2018		14,201	10,000	-	24,201
New assets originated or purchased		-	3,868	-	3,868
Assets derecognised or repaid		(5,477)	-	-	(5,477)
Credit loss (reversal)/expense	12	(5,477)	3,868	-	(1,609)
At 31 December 2018		8,724	13,868	-	22,592

16 **Investment securities - Continued**

16.3 Movement in investment securities

in thousands of Nigerian Naira	Equity at fair value through profit or loss	Equity at fair through other comprehensive income	Debt instruments at amortised cost	Total
At 1 January 2019	173,300	135,999	212,764	522,063
Additions	72,158	-	25,144	97,302
Disposals	(72,157)	(71,637)	-	(143,794)
Receipts from loans	-	-	(29,183)	(29,183)
Proceeds from bonds maturity	-	-	(13,232)	(13,232)
Fair value loss recognised in profit or loss	(12,480)	-	-	(12,480)
Fair value gain recorded in other comprehensive income	-	(6,181)	-	(6,181)
	160,821	58,181	195,493	414,495
Expected credit losses	-	-	(7,207)	(7,207)
	160,821	58,181	188,286	407,288

16.3 Movement in investment securities

in thousands of Nigerian Naira	Equity at fair value through profit or loss	Equity at fair through other comprehensive income	Debt instruments at amortised cost	Total
At 1 January 2018	165,188	134,567	660,853	960,608
Purchases/interest	105,458	-	66,903	172,361
Disposals	(111,012)	(4,626)	-	(115,638)
Maturities/repayments	-	-	(514,992)	(514,992)
Fair value gain recognised in profit or loss	13,666	-	-	13,666
Fair value gain recorded in other comprehensive income	-	6,058	-	6,058
	173,300	135,999	212,764	522,063
Expected credit losses	-	-	(22,592)	(22,592)
	173,300	135,999	190,172	499,471

16.4 *Determination of fair value and fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by value technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets
Level2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
Level3: Techniques which use inputs which have asignificant effect on the recorded fair value that are not based on observable market data.

in thousands of Nigerian Naira	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019					
Equity instruments at fair value through profit or loss	160,821	160,821	-	-	160,821
Equity instrument at fair value through other comprehensive income	58,181	-	-	58,181	58,181
Debt securities at amortised cost	188,286	-	207,115	-	207,115
Reconciliation of level 3 items					
At 1 January 2019					64,362
Gain recognised through other comprehensive income					(6,181)
At 31 December 2019					58,181
31 December 2018					
Equity instruments at fair value through profit or loss	173,300	173,300	-	-	173,300
Equity instrument at fair value through other comprehensive income	135,999	-	71,638	64,361	135,999
Debt securities at amortised cost	190,172	-	209,189	-	209,189
Reconciliation of level 3 items					
At 1 January 2018					129,941
Gain recognised through other comprehensive income					6,058
At 31 December 2018					135,999

During the year ended 31 December 2019 and comparative year 31 December 2018, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

16 **Investment securities - Continued**

16.4 Determination of fair value and fair value hierarchy

Level 3 fair value measurement

a Unobservable inputs used in measure fair value

The table below sets out information about significant unobservable inputs used at 31 December 2019 and 31 December 2018 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of instrument	Fair value	Valuation technique	Significant unobservable input	Range of estimates
	₦'000			
Unquoted equity investment	58,181	Equity DCF model	-Discount rate	Risk premium of 10.6-11% (2018: 11.5 - 12.5%) above risk-free interest rate of 14% (2018: 12%)
			-Estimate cashflow	5-years Compound Annual Growth Rate (CAGR) of cashflow of 5% (2018: 5%).

b The effect of unobservable inputs on fair value measurements

Although the Company believes that its estimate of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements off air value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

Effect on OCI

in thousands of Nigerian Naira		**31 December 2019**	**31 December 2018**
Disount rate	+ 5%	(6,655)	(696)
	- 5%	900	900
Compund Annual Growth Rate	+ 5%	2,592	2,592
	- 5%	(2,592)	(2,592)

The fair value of the unquoted equity holding in WAICA Re is determined using dividend discounted cash flow model. Inputs into future dividend cashflows to equity, valuation horizon and Capital Assets Pricing Model (CAPM) discount rate (Risk free rate plus risk premium).

16.4 Determination of fair value and fair value hierarchy

c Fair valuation methods and assumptions

Fair value of financial assets and liabilities
Below are the methodologies and assumptions used to determine fair values for those financial instruments in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), demand deposits and savings accounts without a specified maturity, the carrying amounts approximate to their fair value. The carrying amounts of loans and receivables as disclosed above approximate fair value at the reporting date.

Equity instruments at fair value through profit or loss - Quoted
The fair values of the quoted equity instruments are derived from quoted market prices in active market, the Nigerian Stock Exchange (NSE).

Equity instruments at fair value through OCI - Unquoted
The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Debt instruments at amortised cost - Federal, State Government and Corporate bonds

Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Company to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investments. This investment can be disposed through private placement.

Debt instruments at amortised cost - Loans and advances
The fair value of loans and advances was estimated using the maximum lending rate quoted on Central Bank of Nigeria website as at year end.

17 **Trade receivables**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Insurance receivables		536,980	380,632

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

17.1 *Analysis of insurance receivables by counter party*

in thousands of Nigerian Naira	Notes	**31 December 2019**	**31 December 2018**
Gross			
Due from insurance brokers		536,980	380,632
		536,980	380,632

18 **Reinsurance assets**

Reinsurance share of outstanding claims		498,730	369,814
Prepaid reinsurance	18.1	1,522,777	1,502,530
		2,021,507	1,872,344

At 31 December 2019, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from this exercise. The carrying amounts disclosed above approximate the fair value at the reporting date.

18.1 *Movement in prepaid reinsurance*

in thousands of Nigerian Naira	Notes	**31 December 2019**	**31 December 2018**
At 1 January		1,502,530	1,744,840
Additions during the year		4,784,260	5,034,390
Recognised in profit or loss	5	(4,764,013)	(5,276,700)
At 31 December		1,522,777	1,502,530

19 **Other receivables and prepayments**

Contribution to Nigerian Insurance Association risk pool		50,300	50,300
Staff debtors		15,808	7,936
Prepayments	19.2	38,658	36,348
Others	19.1	173,707	-
		278,473	94,584
Impairment		(3,411)	-
		275,062	94,584

19.1 This balance represent amount owed to the Company for the disposal of an investment property at the carrying amount of N203 million out of which N30 million was paid during the year.

The carrying amounts disclosed above approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year.

19.2 Included as prepayment are the prepaid insurance and prepaid staff allowances

20 Investment in associate

in thousands of Nigerian Naira	Notes	31 December 2019	31 December 2018
Investment in STI Leasing		74,200	74,200
Share of retained earning in STI Leasing	20.1	13,726	7,234
		87,926	81,434

20.1 *Analysis of share of profit from associate*

Opening balance		7,234	(3,022)
Share of profit during the year		6,492	10,256
		13,726	7,234

The Company has 43% interest in STI Leasing Limited, which is involved in Leasing services to private and public sector contributors. STI Leasing Limited was incorporated as a Limited Liability Company under the Companies and Allied Matters Act, CAP C20 Laws of the Federation 2004 and licensed as a Leasing Company. STI Leasing Limited is domiciled in Nigeria and its registered office is at 22 Keffi Street Ikoyi Lagos. Sovereign Trust Insurance Plc does not have control but only has significant influence as it does not control the Board of Directors.

21 Investment properties

in thousands of Nigerian Naira	31 December 2019	31 December 2018
At the beginning of the year	1,128,638	1,161,581
Additions	2,601	-
Disposal	(203,707)	(72,000)
Fair value gain	45,796	39,057
At the end of the year	973,328	1,128,638

The addition to Investment Property was there cognition of the cost of perfecting the title document in respect of Awolowo Towers Property.

Investment properties are stated at fair value, which has been determined based on valuations performed by Gerry Iputu & Partners. (FRC/2015/NIESV/00000006098), J.Ajayi Patunola & Co (FRC/2013/000000000679), Rogba Orimolade & Co. (FRC/2012/NIESV/00000000107), Amos Jolaoye & Co. (FRC/2016/NIESV/00000013727) accredited independent valuersas at 31 December 2019.The valuers are specialists invaluing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analys is of market data and other sectors specific percularities corroborated with available data derived from previous experiences.

Valuationsareperformedonanannualbasisandthefairvaluegainsandlosseswererecordedwithinthe Statementofprofitor loss.

There are no restrictions on the realisability of investment property or remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

21 **Investment properties - Continued**

in thousands of Nigerian Naira	**31 December 2019**	**31 December 2018**
Rental income derived from investment properties	3,101	5,803
Investment properties related expenses	-	-
Net profit arising from investment properties carried at fair value	3,101	5,803

The fair value disclosure for investment properties is as follow

	Fair value measurement using			
	Quoted prices in active market Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Date of valuation:				
31 December 2019				
Investment properties	-	-	973,328	973,328
31 December 2018				
Investment properties	-	-	1,128,638	1,128,638

During the reporting year ended 31 December 2019, there were no transfers between level 1 and level 2 and in and out of level 3.

Description of valuation techniques used and key inputs to valuation on investment properties:
The valuation of the properties is based on the price for which comparable land and properties are being exchanged and/or are being marketed for sale. Therefore, the market-approach Method of Valuation was used

This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

21 **Investment properties - Continued**

The items of investment properties are as shown below:

in thousands of Nigerian Naira	**Name of Valuer**	**31 December 2019**	**31 December 2018**
May fair gardens	Rogba Orimolade & Co	30,000	30,000
Ibeshe properties	J. Ajayi Patuola & Co	77,400	72,000
Agbara Estate Properties	-	-	203,707
Sunrise Estate Ipaja	Amos Jolaoye & Co	49,000	44,000
Solteby Apartment	Amos Jolaoye & Co	47,000	41,000
Epie Swali Road, Yenagoa	Gerry Iputu & Partners	81,633	78,231
Alagbaka Junction, Akure	J. Ajayi Patuola & Co	415,335	399,700
Awolowo Road, Ikoyi	Amos Jolaoye & Co	272,960	260,000
		973,328	1,128,638

The movement in investment properties is shown as below:

31 December 2019

in thousands of Nigerian Naira	**31 Dec 2018**	**Additions**	**Disposal/ Reclassification**	**Fair value gain**	**31 Dec 2019**
May fair gardens	30,000	-	-	-	30,000
Ibeshe properties	72,000	-	-	5,400	77,400
Agbara Estate Properties	203,707	-	(203,707)	-	-
Sunrise Estate Ipaja	44,000	-	-	5,000	49,000
Solteby Apartment	41,000	-	-	6,000	47,000
Epie Swali Road, Yenagoa	78,231	-	-	3,401	81,633
Alagbaka Junction, Akure	399,700	-	-	15,635	415,335
Awolowo Road, Ikoyi	260,000	2,600	-	10,360	272,960
	1,128,638	2,600	(203,707)	45,796	973,328

21 Investment properties - Continued

31 December 2018

in thousands of Nigerian Naira	31 Dec 2017	Additions	Disposal	Fair value gain	31 Dec 2018
May fair gardens	30,000	-	-	-	30,000
Ibeshe properties	63,147	-	-	8,853	72,000
Agbara Estate Properties	203,707	-	-	-	203,707
Sunrise Estate Ipaja	37,388	-	-	6,612	44,000
Solteby Apartment	36,572	-	-	4,428	41,000
Investment Properties along Epie Swali Road Yenagoa	70,317	-	-	7,914	78,231
Emerald Court	72,000	-	(72,000)	-	-
Investment Properties at Alagbaka Junction Akure	398,450	-	-	1,250	399,700
Investment Properties along Awolowo Road Ikoyi	250,000	-	-	10,000	260,000
	1,161,581	-	(72,000)	39,057	1,128,638

22 Intangible assets

in thousands of Nigerian Naira	31 December 2019	31 December 2018
Computer software		
Cost:		
At the beginning of the year	72,751	66,404
Additions	-	6,347
At the end of the year	72,751	72,751
Accumulated amortization:		
At the beginning of the year	60,512	50,899
Amortisation charge	6,116	9,613
At the end of the year	66,628	60,512
Carrying amount	6,123	12,239

23 **Deferred acquisition costs**

This represents commission paid to brokers on unearned premium relating to the unexpired tenure of risk.

in thousands of Nigerian Naira	*Notes*	**Fire**	**Motor**	**General accident**	**Engi-neering**	**Marine & aviation**	**Oil and gas**	**Total**
At 1 January 2018		101,770	47,376	66,594	42,545	35,023	145,760	439,068
Commission paid		382,319	168,745	208,736	213,159	111,046	124,020	1,208,025
Amortisation	8	(360,885)	(210,577)	(244,867)	(209,525)	(128,980)	(265,366)	(1,420,200)
At 31 December 2018		123,204	5,544	30,463	46,179	17,089	4,414	226,893
Commission paid		406,203	256,087	180,317	219,079	220,553	85,600	1,367,839
Amortisation	8	(385,329)	(259,359)	(169,591)	(204,319)	(165,658)	(83,298)	(1,267,554)
At 31 December 2019		144,078	2,272	41,189	60,939	71,984	6,716	327,178
Current		123,204	5,544	30,463	46,179	17,089	4,414	327,178
Non-current		-	-	-	-	-	-	-

24 **Property, plant and equipment**

in thousands of Nigerian Naira	Land	Building	Leasehold improvements	Office equipment	Furniture & fittings	Plant & machinery	Motor vehicles	Work in progress	Computer & equipment	Total
Cost/Revaluation										
At 1 January 2018	522,000	634,708	135,564	84,368	111,614	80,521	1,025,604	-	209,757	2,804,136
Additions	-	-	280	4,457	3,586	540	225,075	-	10,570	244,508
Disposal	-	-	-	-	-	-	(53,395)	-	-	(53,395)
At 31 December 2018	522,000	634,708	135,844	88,825	115,199	81,061	1,197,284	-	220,328	2,995,249
Additions	-	-	-	3,357	2,316	445	-	-	5,954	12,072
At 31 December 2019	522,000	634,708	135,844	92,182	117,515	81,506	1,197,284	-	226,282	3,007,321
Accummulated depreciation										
At 1 January 2018	-	75,709	84,134	79,224	101,956	55,953	816,993	-	203,305	1,417,273
Charge	-	23,134	13,584	2,669	5,067	6,564	104,953	-	6,720	162,691
Disposal	-	-	-	-	-	-	(53,395)	-	-	(53,395)
At 31 December 2018	-	98,843	97,718	81,893	107,022	62,517	868,551	-	210,025	1,526,570
Charge	-	12,694	13,584	2,728	3,796	6,395	108,325	-	7,077	154,600
At 31 December 2019	-	111,537	111,303	84,621	110,818	68,912	976,876	-	217,102	1,681,169
Carrying amount										
At 31 December 2019	522,000	523,171	24,541	7,561	6,697	12,594	220,408	-	9,180	1,326,152
At 31 December 2018	522,000	535,865	38,126	6,932	8,177	18,544	328,733	-	10,303	1,468,679

i No leased assets are included in the above property, plant and equipments (2018: Nil).
ii There were no capital commitment contracted or authorised as at the reporting date (2018: Nil).
iii There were not capitalised borrowing cost related to the acquisition of property, plant and equipment during the year (2018: Nil).
iv None of the assets are pledged during the year (2018: Nil).

24 **Property, plant and equipment - Continued**

The Building at 17, Ademola Adetokunbo, Victoria Island, Lagos (with initial cost of ₦600 million) was valued on the basis of an open market valuation for existing use as of 31 December 2017 for ₦850,000,000 by Amos Jolaoye & Co. Chartered Surveyors (FRC/2012/NIESV/00000000597), Valuers and Real Estate Consultants. Also, the Company building at 1707A Olugbose Close, Victoria Island, Lagos with (initial cost of ₦224 million) was valued on the basis of an open market valuation for existing use as at 31 December 2017 for ₦231,000,000 by Amos Jolaoye & Co. Chartered Surveyors, Valuers and Real Estate Consultants.

This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

The fair value hierarchy for the fair valuation of the building is in level 3.

If building were measured using the cost model, the carrying amounts would be as follows:

in thousands of Nigerian Naira	**31 December 2019**	**31 December 2018**
Cost	824,000	824,000
Accumulated depreciation	(118,423)	(101,943)
	705,577	722,057

25 **Taxation**

25.1 *Current income tax payable*

As at *in thousands of Nigerian Naira*	Notes	31 December 2019	31 December 2018
At the beginning of the year		108,451	71,739
Amounts recorded in the profit or loss	13.1	117,138	62,798
Payments made during the year		(66,134)	(26,086)
		159,455	108,451

25.2 *Deferred tax liabilities*

Deferred tax liabilities		(207,413)	(8,922)
Movement in deferred tax (liabilities)/assets			
At the beginning of the year		(8,922)	121,904
IFRS 9 ECL deferred tax impact		-	8,447
Amounts recorded in OCI in respect of gain on gratuity		-	(5,753)
Amounts recorded in the profit or loss	13.1	(198,491)	(133,520)
		(207,413)	(8,922)

Deferred tax liabilities is attributable to the following:

Property, plant and equipment	(121,535)	(53,121)
Investment property	(13,738)	(8,366)
Unrealised Foreign exchange gain	(78,184)	-
ECL on Financial Asset	6,044	-
Defined benefit obligation	-	52,565
	(207,413)	(8,922)

26 **Statutory deposit**

The statutory deposit of N315,000,000 represents the amount deposited with the Central Bank of Nigera as at 31 December 2019 (31 December 2018: N315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. The deposit has been tested for adequacy as at 31 December 2019 and found to be adequate.

Interest income earned at annual average rate of 13.17% per annum (2018: 15.32%) and this is included within investment income. However, access to the deposit is restricted.

27 **Insurance contract liabilities**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Claims reported by policyholders		486,604	481,362
Claims incurred but not reported (IBNR)		518,128	453,593
Outstanding claims provisions	27.1	1,004,732	934,955
Unearned premiums	27.3	2,319,274	2,153,883
		3,324,006	3,088,838
Current		3,324,006	3,088,838

The Company engaged Logic Professional Services (FRC/2017/NAS/00000017548) to perform an Insurance liability valuation as at 31 December 2019 for its Insurance business.

27.1 *Outstanding claims provisions*

At 1 January		934,955	1,281,637
Claims incurred in the current year	7	2,851,882	3,896,959
Claims paid during the year	7	(2,782,105)	(4,243,641)
		1,004,732	934,955

The aging analysis for claims reported and losses adjusted

Days		
0 - 90	685	90,300
91 - 180	48,907	84,015
181 - 270	185,990	32,001
271 - 360	86,196	33,560
361 and above	164,826	241,486
Incurred but not reported (IBNR)	518,128	453,593
	1,004,732	934,955

Outstanding claims arise as a result of incomplete documentation by the claimants, claims under investigation as well as claims that are being disputed.

Analysis of reported claims per class of insurance

Motor	25,045	73,592
Fire and property	96,472	80,567
Marine and Aviation	152,637	79,173
General accidents	152,711	100,473
C.A.R. Engineering	40,940	65,607
Energy	18,800	81,950
Incurred but not reported (IBNR)	518,128	453,593
	1,004,732	934,955

27 **Insurance contract liabilities - Continued**

27.2 Claims incurred but not reported

This represents additional provision as a result of actuarial valuation as at year end.

27.3 The movement in unearned premium during the year

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
At 1 January		2,153,883	1,978,882
Premiums written in the year	5	10,879,656	10,513,078
Premiums earned during the year	5	(10,714,265)	(10,338,077)
		2,319,274	2,153,883

28 **Borrowing**

At 1 January		973,360	861,919
Interest		164,810	88,487
Foreign exchange difference		14,259	22,954
		1,152,429	973,360

This represents zero coupon JPY846,000,000 direct, unconditional, unsubordinated and unsecured European Bond with options issued to Daewoo Securities Europe Limited in 2008. The underlying Bond had a put period of 30 months with a yield to put of 4.25% per annum while the tenor of the convertible option is valid up to year 2024. The purpose for which the Bond was issued relates to Expansion of Branch Network, Upgrade of Information and Communication Technology and Working Capital. However, the Company has secured the consent and agreement of Daewoo Securities (Europe) Limited to restructure the bond for a period of 5 years commencing from year 2013 to 2017 under a new interest rate (10%) arrangement which incorporate any previous default interest.

The Company and Daewoo arrived at full and final figure of $4.7million October 2019 . A discount of 30% on the agreed figure was granted by Daewoo and the interest on the balance was frozen. The parties agreed that first tranche payment of $1.5 million should be paid with the balance spread over six instalments between 2020 and 2022. The first tranche of the payment is due at the first half of 2020.

29 **Bank overdrafts**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Bank overdrafts		-	327,941

These represent the outstanding balance on bank account which overdraft facilities were agreed on in the prior year. These facilities were obtained to augment working capital for the Company. They are at interest rates ranging between 17% to 21% per annum. The carrying value of bank overdraft at year end reasonably approximates its fair value. The Company do not have any overdraft facility at the year end.

30 Trade payables

As at *in thousands of Nigerian Naira*	Notes	31 December 2019	31 December 2018
Deferred commission income	30 (i)	253,213	154,641
Due to reinsurance companies		457,948	600,169
Due to insurance companies		-	4,271
		711,161	759,081
Current		711,161	759,081

This represents the amount payable to insurance and reinsurance companies as at year end. Also included is commision income on premium that has not been earned in the current year. The carrying amounts of trade payable as disclosed above approximate their fair value at the reporting date.

30 (i) Deferred commission income

As at *in thousands of Nigerian Naira*	Notes	31 December 2019	31 December 2018
At 1 January		154,641	-
Additions during the year		1,039,563	517,243
Credit to profit or loss	6	(940,991)	(362,602)
		253,213	154,641

Deferred commission income relates to unearned commission income on premium received in the year.

31 Other payables and accruals

As at *in thousands of Nigerian Naira*	Notes	31 December 2019	31 December 2018
Sundry creditors		26,340	51,957
Unclaimed dividends		51,016	51,016
Lease creditors		-	25,937
		77,356	128,910
Current		77,356	128,910

Included in sundry creditors above are accrued expenses, pension deductions and other levies.

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

32 Retirement benefit obligation

Defined contribution plan
The defined contribution plan is a pension plan under which the Company pays fixed contributions in line with the Pension Reform Act 2014. There is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Company.

Defined benefit plan
A defined benefit plan is a gratuity plan that defines an amount of gratuity benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the reporting date of high–quality corporate/government bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

	As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
	Retirement benefit obligation		-	105,569
32.1	Net benefit expense (recognised in statement of profit or loss)			
	Interest cost		-	25,318
32.2	Movement of gratuity			
	At 1 January		105,569	182,232
	Interest cost	32.1	-	25,318
	Actuarial gain		-	(19,175)
	Benefits paid		(105,569)	(82,806)
			-	105,569

The Company's gratuity plan is on a winding down basis. The Company stopped the scheme in 2013 and only staff who are qualified at the end of 2013 are qualified to benefit from the scheme.

The gratuity balance has now been fully paid off in the current year.

The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2019	**2018**
	%	%
Discount rate	-	15.50
Rate of salary increases	-	na

32 **Retirement benefit obligation - Continued**

The following payments are expected contributions to the defined benefit plan in the future:

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Between 10 and 15 years		-	-
Between 15 and 20 years		-	100,512
Between 20 and 25 years		-	104,991
		-	205,503

33 **Equity**

33.1 Authorised and Issued and paid-up share capital

Authorised share capital 15 billion (2018: 15 billion) units of ordinary share of ₦0.50k each		
As at 1 January	7,500,000	5,250,000
Increase during the year	-	2,250,000
As at 31 December	7,500,000	7,500,000

Ordinary shares issued and fully paid

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
At 1 January		4,170,412	4,170,412
Increase during the year		1,511,836	-
11,364,496 Ordinary share of 0.50k each		5,682,248	4,170,412

The Company had rights issue of 3,023,672,000 of Ordinary shares of ₦0.50k each per share which was concluded in December 2019. This exercise resulted in addition of share capital of ₦1.5 billion during 2019.

33.2 **Share premium**

At 1 January	116,843	116,843
Capital raising expenses	(42,786)	-
As at year end	74,057	116,843

33.3 **Contingency reserve**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
At 1 January		2,647,988	2,332,596
Transfer from accumulated losses		326,390	315,392
		2,974,378	2,647,988

Contingency reserve in respect of non-life business is the higher of 20% of net profit and 3% of total premium as specified in Section 21 (2) of the Insurance Act 2003.

33.4 **Revaluation reserve**

This is revaluation surplus in respect of building in line with the Company's accounting policy.

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Opening balance		225,103	225,103
		225,103	225,103

33.5 **Fair value reserve**

The Fair value reserve represents the net cumulative change in the fair value of equity instrument measured at fair value through other comprehensive income until the investment is derecognised or impaired.

33.6 **Accumulated losses**

Accumulated losses is the carried forward recognised income net of expenses plus current period profit or loss attributable to shareholders.

34 **Cash and cash equivalents for the purpose of statements of cash flows consist of the following:**

As at *in thousands of Nigerian Naira*	Notes	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	15a	7,151,430	5,253,345
Bank overdrafts	29	-	(327,941)
		7,151,430	4,925,404

35 **Reconciliation of profit before tax to cash flows provided by operating activities:**

in thousands of Nigerian Naira	Notes	**2019**	**2018**
Profit before income tax		819,011	540,554
Adjustments for non-cash items:			
Fair value loss on quoted equities	16.3	12,480	(13,666)
Interest on borrowing	28	164,810	88,487
Interest income on loans		-	(6,000)
Loss on disposal of investment properties		-	7,000
Profit from sale of property and equipment	10	-	(1,000)
Depreciation of property, plant and equipment	24	154,600	162,691
Amortisation of intangible assets	22	6,116	9,613
Realised gain/(loss) on equities		(9,075)	1,001
Fair value gain on investment properties	21	(45,796)	(39,057)
Share of profit in associate	20.1	(6,492)	(10,256)
Interest cost on retirement benefit	32.2	-	25,318
Credit loss (reversal)/expense	12	(14,258)	1,325
Foreign exchange gain on cash and cash equivalents	10	(260,613)	-
Unrealised exchange loss foreign borrowing	28	14,259	22,954
Cash flow from operating profit before changes in operating assets and liabilities		835,042	788,964
Changes in operating assets and liabilities			
Increase in trade receivables		(156,348)	(50,984)
(Increase)/decrease in re-insurance assets		(152,575)	654,192
(Increase)/decrease in deferred acquisition costs		(100,285)	212,175
(Increase)/decrease in other receivables and prepayments		(6,771)	56,871
(Decrease)/Increase in trade payables		(47,920)	15,649
Decrease in other payables and accruals		(51,554)	(51,222)
Increase/(decrease) in outstanding claims		69,777	(346,682)
Increase in unearned premium		165,391	200,695
Gratuity paid		(105,569)	(82,806)
Income tax paid		(66,134)	(26,086)
Net cash flows from operating activities		383,054	1,319,766

36 **Reclassification**

Certain reclassifications were made to the recorded figures of prior year to conform to this year's presentation. Below are the reclassifications.

As at *in thousands of Nigerian Naira*	**31 December 2018**
i. **Management expenses**	
Amount previously reported	(1,659,542)
Reclassification of credit loss from management expenses	1,325
	(1,658,217)

37 **Related party disclosures**

37.1 **Transactions with related parties**

The company did not have any related parties transactions in the year.

37.2 **Compensation of key management personnel:**

Key management personnel is defined as members of the Board of Directors of the Company, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in the dealings with Company.

in thousands of Nigerian Naira	Notes	**2019**	**2018**
Short term employee benefits		101,721	84,552
Post employment pension benefits		4,646	4,268
Total compensation of key management personnel		106,367	88,820

38 **Risk management framework**

a. *Governance framework*

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

38 **Risk management framework - Continued**

b *Capital management objectives, policies and approach*

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1 To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;

2 To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
3 To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
4 To align the profile of assets and liabilities taking account of risks inherent in the business;
5 To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
6 To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

in thousands of Nigerian Naira	**2019**	**2018**
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	7,786,606	5,820,355
Regulatory adjustments	(1,094,881)	(1,299,602)
Available capital resources	6,691,725	4,520,753
Minumum capital based required by regulator	3,000,000	3,000,000
Excess in solvency margin	3,691,725	1,520,753

The regulatory adjustments represent assets inadmissible for regulatory reporting purpose. However, current year available capital resources are subject to the Regulators commission review and approval.

38 **Risk management framework - Continued**

The Solvency Margin for the Company as at 31 December 2019 is as follows:

in thousands of Nigerian Naira	**Admissible**	**Inadmissible**	**Total**	**2018**
Admissible assets				
Cash and cash equivalents	7,141,882	-	7,141,882	5,241,513
Fair value through profit and loss	160,821	-	160,821	173,300
Equity instrument at fair value through other comprehensive income	58,181	-	58,181	135,999
Debt securities at amortised cost	188,286	-	188,286	190,172
Trade receivables	536,980	-	536,980	380,632
Reinsurance assets	2,021,507	-	2,021,507	1,872,344
Deferred acquisition cost	327,178	-	327,178	226,893
Other receivables and prepayments	15,808	259,254	275,062	94,584
Investments in associates	87,926	-	87,926	81,434
Investment properties	973,328	-	973,328	1,128,638
Intangible assets	6,123	-	6,123	-
Property,plant and equipment	283,112	1,043,040	1,326,152	1,468,679
Statutory deposits	315,000	-	315,000	315,000
	12,116,132	1,302,294	13,418,426	11,309,188
Admissible liabilities				
Insurance liabilities	3,324,006	-	3,324,006	3,088,838
Borrowing	1,152,429	-	1,152,429	973,360
Bank overdraft	-	-	-	327,941
Trade payables	711,161	-	711,161	759,081
Other payables and accruals	77,356	-	77,356	128,910
Retirement benefit obligations	-	-	-	105,569
Current income tax payable	159,455	-	159,455	108,451
Deferred tax liabilities	-	207,413	207,413	8,922
	5,424,407		5,631,820	5,501,072
Solvency margin	6,691,725			4,520,753
The higher of 15% of Net premium income and Shareholders funds	3,000,000			3,000,000
Solvency ratio (%)	2.23			1.51

c *Regulatory framework*

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

38 Risk management framework - Continued

d *Asset liability management (ALM) framework*

The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:
An integral part of the insurance risk management policy, to ensure in each period sufficient cash flows is available to meet liabilities arising from insurance contracts.

39 **Insurance and financial risks**

a Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 20% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: fire, motor, general accident, engineering, marine and aviation and oil and gas. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of loss ratio, discount rate and claim handling costs of claim paid for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported (IBNR) for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each below illustrates how the Company's estimate of total claims outstanding for each year has changed at successive year-ends.

39 **Insurance and financial risks - Continued**

a Insurance risk - continued

Claims Paid Triangulations as at 31 December 2019

in thousands of Nigerian Naira

	1	2	3	4	5	6	7	8	9
Motor									
Accident Year									
2007	161,220	116,717	4,485	311	49	-	-	-	-
2008	169,900	107,836	13,187	3,384	3,405	800	-	-	-
2009	181,552	146,736	15,858	801	704	-	1,143	-	-
2010	225,016	122,872	10,143	693	414	551	-	117	-
2011	292,165	126,133	8,335	670	1,392	-	59	-	439
2012	209,066	153,520	1,135	28	1	166	-	159	-
2013	253,325	56,039	11,951	-	745	16	99	-	-
2014	448,185	151,855	90	1,208	10	-	-	-	-
2015	419,353	164,457	11,856	554	581	-	-	-	-
2016	339,042	119,370	12,595	5,885	-	-	-	-	-
2017	400,840	144,144	2,767	-	-	-	-	-	-
2018	409,781	135,009	-	-	-	-	-	-	-
2019	393,003	-	-	-	-	-	-	-	-
Fire									
Accident Year									
2007	23,548	14,921	551	495	409	18	-	-	-
2008	145,426	25,404	19,337	1,418	275	2,350	-	-	-
2009	38,671	30,029	7,095	17,130	1,133	-	1,352	-	-
2010	48,683	170,025	14,642	169	404	69	-	-	-
2011	40,147	87,855	14,687	296	1,689	-	543	615	441
2012	34,801	71,849	3,309	1,185	92	31	-	-	-
2013	96,493	28,388	24,664	45	8,988	-	-	-	-
2014	269,309	209,095	5	28,604	1,509	17	-	-	-
2015	99,928	190,574	83,970	4,547	183	-	-	-	-
2016	139,327	202,455	28,427	3,154	-	-	-	-	-
2017	318,536	309,344	319,250	-	-	-	-	-	-
2018	319,792	268,985	-	-	-	-	-	-	-
2019	340,005	-	-	-	-	-	-	-	-

39 **Insurance and financial risks - Continued**

Insurance risk - continued

Claims Paid Triangulations as at 31 December 2019

in thousands of Nigerian Naira

General accident	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Accident Year									
2007	78,870	51,047	21,990	5,149	1,109	382	1,342	-	-
2008	107,762	62,614	20,556	4,291	436	-		10	-
2009	71,177	74,274	42,344	2,061	2,567	197	899	-	-
2010	56,380	75,169	12,276	13,467	805	1,787	34	-	-
2011	64,532	83,603	16,555	687	3,155	257	824	1,927	26
2012	134,451	133,618	3,124	7,988	-	1,972	1,249	5,528	-
2013	62,941	23,864	19,583	-	1,522	978	77	-	-
2014	193,012	103,077	-	15,204	2,295	467	-	-	-
2015	96,443	208,591	15,673	45,911	3,007	-	-	-	-
2016	129,179	97,502	15,083	2,091	-	-	-	-	-
2017	73,628	121,245	41,278	-	-	-	-	-	-
2018	14,382	113,797	-	-	-	-	-	-	-
2019	78,988	-	-	-	-	-	-	-	-

Engineering	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Accident Year									
2007	8,083	6,958	3,892	205	-	-	-	-	-
2008	6,219	13,466	-	-	-	-	-	-	-
2009	4,035	6,349	424	516	531	-	57	669	-
2010	14,206	26,429	1,836	1,194	113	-	-	-	-
2011	33,165	33,090	19,933	48	18	-	72	-	-
2012	41,347	20,691	343	48	-	-	-	-	-
2013	3,266	6,191	6,193	-	-	206	218	-	-
2014	14,750	19,161	-	401	6	-	-	-	-
2015	8,635	18,349	3,453	2,887	28	-	-	-	-
2016	14,981	28,519	787	231	-	-	-	-	-
2017	10,823	25,078	-	-	-	-	-	-	-
2018	12,771	36,172	-	-	-	-	-	-	-
2019	20,038	-	-	-	-	-	-	-	-

39 **Insurance and financial risks - Continued**

a Insurance risk - continued

Claims Paid Triangulations as at 31 December 2019

in thousands of Nigerian Naira

Marine	1	2	3	4	5	6	7	8	9
Accident Year									
2007	12,088	28,812	7,852	60	30,370	6	-	-	-
2008	648	7,468	97	-	-	-	-	-	-
2009	2,312	22,297	338	6,912	-	200	-	-	-
2010	14,527	19,225	9,547	6,423	25	46	-	-	-
2011	35,171	25,574	30,244	190	7,084	-	-	-	-
2012	30,164	116,629		491	-	-	-	-	-
2013	32,653	7,113	23,178	-	3	1,567	-	-	-
2014	142,076	112,097	-	605	1,574	-	-	-	-
2015	44,911	37,147	31,554	571	1,201	-	-	-	-
2016	35,286	57,357	39,507	34,203	-	-	-	-	-
2017	36,911	273,961	84,380	-	-	-	-	-	-
2018	160,327	120,653	-	-	-	-	-	-	-
2019	65,053	-	-	-	-	-	-	-	-

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

	31 December 2019			31 December 2018		
	Gross liabilities	Reinsurance share of liabilities	Net liabilities	Gross liabilities	Reinsurance share of liabilities	Net liabilities
Accident	221,879	(147,932)	73,947	170,622	(73,001)	97,621
Engineering	93,944	(51,689)	42,255	110,153	(55,441)	54,712
Fire	228,322	(176,866)	51,456	217,103	(156,964)	60,139
Marine	199,758	(122,243)	77,515	150,404	(84,408)	65,996
Motor	93,651	-	93,651	115,779	-	115,779
Oil & Gas	167,178	-	167,178	170,894	-	170,894
	1,004,732	(498,730)	506,002	934,955	(369,814)	565,141

39 Insurance and financial risks - Continued

b Financial risk - continued

i Credit risk

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

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

1 Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

2 The Company sets the maximum amounts and limits that may be advances to corporate counterparties by reference to their long-term credit ratings.

3 The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

4 Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.

5 A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit exposure
The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2019 and 2018 is the carrying amounts as presented below.

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

39 **Insurance and financial risks - Continued**

Industry analysis

As at 31 December 2019

in thousands of Nigerian Naira	**Financial services**	**Government**	**Others**	**Total**
Debt securities (Loans)	-	-	14,377	14,377
Other receivables	-	-	239,815	239,815
Statutory deposit	-	315,000	-	315,000
- Debt securities (Bonds)	35,980	145,136	-	181,116
	35,980	460,136	254,192	750,308
Trade receivables	536,980	-	-	536,980
Cash and cash equivalents	7,151,430	-	-	7,151,430
	7,724,390	460,136	254,192	8,438,718

As at 31 December 2018

in thousands of Nigerian Naira	**Financial services**	**Government**	**Others**	**Total**
Debt securities (Loans)	-	-	43,560	43,560
Other receivables	-	-	58,236	58,236
Statutory deposit	-	315,000	-	315,000
- Debt securities (Bonds)	35,959	133,245	-	169,204
	35,959	448,245	101,796	586,000
Trade receivables	380,632	-	-	380,632
Cash and cash equivalents	5,253,345	-	-	5,253,345
	5,669,936	448,245	101,796	6,219,977

39 **Insurance and financial risks - Continued**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

	Neither past-due not impaired				
As at 31 December 2019 *in thousands of Nigerian Naira*	**Investment grade**	**Non-investment grade satisfactory**	**Non-investment grade unsatisfactory**	**Past-due but not impaired**	**Total**
Other receivables	-	239,815	-	-	239,815
Statutory deposit	315,000	-	-	-	315,000
- Debt securities	195,493	-	-	-	195,493
Trade receivables	536,980	-	-	-	536,980
Cash and cash equivalents	7,141,882	-	-	-	7,141,882
	8,189,355	239,815	-	-	8,429,170
As at 31 December 2018					
Other receivables	-	58,236	-	-	58,236
Statutory deposit	315,000	-	-	-	315,000
- Debt securities	169,204	-	43,560	-	212,764
Trade receivables	380,632	-	-	-	380,632
Cash and cash equivalents	5,241,513	-	-	-	5,241,513
	6,106,349	58,236	43,560	-	6,208,145

39 **Insurance and financial risks - Continued**

Age analysis of financial assets past due but not impaired

in thousands of Nigerian Naira	**< 30 days**	**31 to 60 days**	**61 to 90 days**	**Total past due but not impaired**
At 31 December 2019				
Trade receivables	536,980		-	536,980
	536,980	-	-	536,980
At 31 December 2018				
Trade receivables	380,632		-	380,632
	380,632	-	-	380,632

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

ii Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

1 Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meeting insurance and investment contracts obligations.
2 The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
3 Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls well as specifying events that would trigger such plans.

39 Insurance and financial risks - Continued

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual undiscounted interest receivable.

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2019 in thousands of Nigerian Naira	**Carrying amount**	**Up to 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**No maturity date**	**Total**
Financial assets:							
Other receivables	239,815	239,815	-	-	-	-	239,815
Debt securities at amortised cost	195,493	195,493	-	-	-	-	195,493
Statutory deposit	315,000	-	-	-	-	315,000	315,000
Trade receivables	536,980	536,980	-	-	-	-	536,980
Cash and cash equivalents	7,151,430	7,151,430	-	-	-	-	7,151,430
Total financial assets	8,438,718	8,123,718	-	-	-	315,000	8,438,718
Financial liabilities							
Insurance contract liabilities	1,004,732	1,004,732	-	-	-	-	1,004,732
Borrowing	1,152,429	901,275	366,397	-	-	-	1,267,672
Trade payables	711,161	711,161	-	-	-	-	711,161
Bank overdraft	-	-	-	-	-	-	-
Other payables	51,016	51,016	-	-	-	-	51,016
Total financial liabilities	2,919,338	2,668,184	366,397	-	-	-	3,034,581
Total liquidity gap	5,519,380	5,455,534	(366,397)	-	-	315,000	5,404,137

39 **Insurance and financial risks - Continued**

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2018 *in thousands of Nigerian Naira*	Carrying amount	Up to 1 year	1-3 years	3-5 years	Over 5 years	No maturity date	Total
Financial assets:							
Other receivables	58,236	58,236	-	-	-	-	58,236
Debt securities at amortised cost	212,764	212,764	-	-	-	-	212,764
Statutory deposit	315,000	-	-	-	-	315,000	315,000
Trade receivables	380,632	380,632	-	-	-	-	380,632
Cash and cash equivalents	5,253,345	5,253,345	-	-	-	-	5,253,345
Total financial assets	6,219,977	5,904,977	-	-	-	315,000	6,219,977
Financial liabilities							
Insurance contract liabilities	934,955	934,955	-	-	-	-	934,955
Borrowing	973,360	1,070,696	-	-	-	-	1,070,696
Trade payables	759,081	759,081	-	-	-	-	759,081
Bank overdraft	327,941	347,617	-	-	-	-	347,617
Other payables	51,016	51,016	-	-	-	-	51,016
Total financial liabilities	3,046,353	3,163,365	-	-	-	-	3,163,365
Total liquidity gap	3,173,624	2,741,612	-	-	-	315,000	3,056,612

39 **Insurance and financial risks - Continued**

The table below summarises the expected utlisation or settlement of assets and liabilities.

in thousands of Nigerian Naira	31 December 2019			31 December 2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets						
Cash and cash equivalents	7,141,882	-	7,141,882	5,241,513	-	5,241,513
Investment securities	407,288	-	407,288	499,471	-	499,471
Trade receivables	536,980	-	536,980	380,632	-	380,632
Reinsurance assets	2,021,507	-	2,021,507	1,872,344	-	1,872,344
Deferred acquisition costs	327,178	-	327,178	226,893	-	226,893
Other receivables and prepayments	275,062	-	275,062	94,584	-	94,584
Investment in associate	-	87,926	87,926	-	81,434	81,434
Investment properties	-	973,328	973,328	-	1,128,638	1,128,638
Intangible assets	-	6,123	6,123	-	12,239	12,239
Property, plant and equipment	-	1,326,152	1,326,152	-	1,468,679	1,468,679
Statutory deposit	-	315,000	315,000	-	315,000	315,000
Total assets	10,709,897	2,708,529	13,418,426	8,315,437	3,005,990	11,321,427
Liabilities						
Insurance contract liabilities	3,324,006	-	3,324,006	3,088,838	-	3,088,838
Borrowing	901,275	251,154	1,152,429	973,360	-	973,360
Bank overdrafts	-	-	-	327,941	-	327,941
Trade payables	711,161	-	711,161	759,081	-	759,081
Other payables and accruals	77,356	-	77,356	128,910	-	128,910
Current income tax payable	159,455	-	159,455	108,451	-	108,451
Retirement benefit obligation	-	-	-	-	105,569	105,569
Deferred tax liabilities	-	207,413	207,413	-	8,922	8,922
Total liabilities	5,173,253	251,154	5,631,820	5,386,581	105,569	5,501,072

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The risk management frameworks for each of its components are discussed below:

39 **Insurance and financial risks - Continued**

i Foreign exchange risk

Sovereign Trust Insurance Plc is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The company is exposed to fluctuation of foreign currency through bank balances and borrowings in other currencies. The carrying amounts of the company's foreign currency-denominated balances as at end of the year are as follows:

		2019	2018
in thousands of Nigerian Naira	*Change in variable*	Impact on profit before tax	Impact on profit before tax
Dollars	-10%	(274,260)	(265,523)
	10%	274,260	265,523
Pounds	-10%	(136)	(100)
	10%	136	100
Euros	-10%	(1,416)	(1,108)
	10%	1,416	1,108

ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest rate instruments expose the Company to fair value interest risk. Company does no expose to cash flow interest risk.

The Company has no significant concentration of interest rate risk.

iii Equity Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to equity instrument whose values will fluctuate as a result of changes in market prices, principally investment securities.
The risks arising from change in price of our investment securities is managed through our investment desk and in line with the investment risk policy.

The Company's management of equity price risk is guided by the following:
- Investment quality and limit Analysis

Investment quality and limit analysis

The Board through its Board Investment Committee set approval limits for taking investment decision approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limits system sets a personal discretionary limit for the Chief Executive Officer; requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and sets out lower limits for the Chief Finance Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates.

39 **Insurance and financial risks - Continued**

iii Equity Price risk - continued

The Company has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables (share price) with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of equity instrument through OCI). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2019		**31 December 2018**	
in thousands of Nigerian Naira	*Change in variable*	*Impact on profit before tax*	*Impact on equity*	*Impact on profit before tax*	*Impact on equity*
Nigerian Stock Exchange	-5%	(40,951)	(8,041)	(27,028)	(8,665)
	5%	40,951	8,041	27,028	8,665
	-10%	(81,901)	(16,082)	(54,055)	(17,330)
	10%	81,901	16,082	54,055	17,330

vi Operational risks

Our operational risk exposure arises from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risk management framework includes strategic, reputation and compliance risks. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The table below sets out the concentration of non–life insurance contract liabilities by type of contract:

	31 December 2019			**31 December 2018**		
in thousands of Nigerian Naira	**Gross liabilities**	**Re-insurance share of liabilities**	**Net liabilities**	**Gross liabilities**	**Re-insurance share of liabilities**	**Net liabilities**
Accident	221,879	(147,932)	73,947	170,622	(73,001)	97,621
Engineering	93,944	(51,689)	42,255	110,153	(55,441)	54,712
Fire	228,322	(176,866)	51,456	217,103	(156,964)	60,139
Marine	199,758	(122,243)	77,515	150,404	(84,408)	65,996
Motor	93,651	-	93,651	115,779	-	115,779
Oil & Gas	167,178	-	167,178	170,894	-	170,894
	1,004,732	(498,730)	506,002	934,955	(369,814)	565,141

39 **Insurance and financial risks - Continued**

Sensitivity analysis

The non–life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear.

		31 December 2019			31 December 2018		
in thousands of Nigerian Naira	**Change in assumptions**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit before tax**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit before tax**
Loss percentage	+5%	50,237	24,937	(25,300)	46,748	18,491	(28,257)
Loss percentage	-5%	(50,237)	(24,937)	25,300	(46,748)	(18,491)	28,257
Inflation rate	+1%	10,047	4,987	(5,060)	9,350	3,698	(5,651)
Inflation rate	-1%	(10,047)	(4,987)	5,060	(9,350)	(3,698)	5,651
Discount rate	+1%	10,047	4,987	(5,060)	9,350	3,698	(5,651)
Discount rate	-1%	(10,047)	(4,987)	5,060	(9,350)	(3,698)	5,651

40 **Contingencies and commitments**

a Contingencies proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

b Capital commitments and operating leases

The Company has no capital commitments at the reporting date.

The Company has entered into commercial property leases on its investment property portfolio and the Company's surplus office buildings. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

40 Contingencies and commitments

Capital commitments and operating leases

Future minimum lease rentals receivable under non-cancellable operating leases as at 31 December are as follows:

in thousands of Nigerian Naira	31 December 2019	31 December 2018
Within one year	-	25,937
After one year but not more than five years	-	-
	-	25,937

41 Events after the reporting date

There are no events after the balance sheet date that require adjustments in the financial statements. Management has assessed the impact of the COVID-19 on the going concern of company and has concluded that the use of the going concern is appropriate and that the company will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next 12 months.

Since early 2020, the Coronavirus disease (COVID-19) outbreak across China and beyond has caused significant disruption to the society, impacting the Company, its employees and customers.

In Nigeria it is an evolving situation and the Company is monitoring closely, any impact will depend on future developments which are highly uncertain, and the Company is still quantifying the impact.

Potential lockdown of the Country due to the virus could adversely affect the result of operations and financial position in 2020. The impact of the outbreak on key macroeconomic indicators will be taken into consideration when determining the ECL estimate under IFRS 9 in 2020.

The Company has performed a line-by-line analysis of its balance sheet and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2019. Management has concluded however that the amounts recognised in the financial statement do not required further adjustment but will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

42 **Admissible assets**

The admissible assets representing insurance funds are included in the Statement of Financial Position as follows:

Total assets representing insurance funds

in thousands of Nigerian Naira	2019 Carrying amount	2019 Policy holders Funds	2019 Total	2018
Insurance Contract liabilities	3,324,006	3,324,006	3,324,006	3,088,838
Gross Insurance Fund	3,324,006	3,324,006	3,324,006	3,088,838
Deduct:				
Reinsurance assets	(2,021,507)	(2,021,507)	(2,021,507)	(1,872,344)
Net Insurance Fund	1,302,499	1,302,499	1,302,499	1,216,494
Represented by:				
Cash and cash equivalents:				
- Cash in bank	1,974,881	1,974,881	1,974,881	2,798,018
- Short term deposit	5,167,001	5,167,001	5,167,001	2,443,495
Equity instruments at fair value through profit or loss	160,821	160,821	160,821	173,300
Equity instrument at fair value through other comprehensive income	58,181	58,181	58,181	135,999
Debt securities at amortised cost	188,286	188,286	188,286	190,172
Total Admissible Assets	7,549,170	7,549,170	7,549,170	5,740,984
Surplus	6,246,671	6,246,671	6,246,671	4,524,490

43 **Segment information**

For the year ended 31 December 2019 *in thousands of Nigerian Naira*	**Motor**	**Fire and property**	**General accident**	**Marine and aviation**	**Oil and gas**	**Car and engineering**	**Total**
Gross premium written	2,286,314	1,819,409	918,097	825,634	3,889,282	1,140,920	10,879,656
Changes in unexpired premium	25,321	(26,695)	(52,362)	(95,375)	(142,146)	125,867	(165,390)
Gross premium earned	2,311,635	1,792,714	865,735	730,259	3,747,136	1,266,787	10,714,266
Outward re-insurance premium	(9,079)	(667,378)	(585,002)	(373,669)	(2,751,689)	(397,743)	(4,784,560)
Changes in unexpired outward premium	12,776	(52,448)	57,595	61,447	123,868	(182,691)	20,547
Net premium earned	2,315,332	1,072,888	338,328	418,037	1,119,315	686,353	5,950,253
Commission received	1,562	184,998	188,433	96,473	335,206	134,319	940,991
Total underwriting income	2,316,894	1,257,886	526,761	514,510	1,454,521	820,672	6,891,244
Gross claims paid	537,943	931,931	247,905	302,727	704,913	56,688	2,782,105
Gross liabilities at 31 December 2019	93,651	228,322	221,879	199,757	167,179	93,944	1,004,732
	631,594	1,160,253	469,784	502,484	872,092	150,632	3,786,837
Gross liabilities at 1 January 2019	(109,956)	(221,877)	(170,486)	(144,359)	(177,976)	(110,301)	(934,955)
Gross claim incurred	521,638	938,376	299,298	358,125	694,116	40,331	2,851,882
Reinsurance recoveries	-	295,365	106,216	97,176	11,146	3,933	513,835
Due from re-insurers at 31 December 2019	-	176,866	147,932	122,243	-	51,689	498,730
	-	472,231	254,148	219,419	11,146	55,622	1,012,565
Due from re-insurers at 1 January 2019	-	(161,065)	(81,245)	(81,493)	-	(46,012)	(369,813)
Gross recoveries	-	311,166	172,903	137,926	11,146	9,610	642,752
Net benefits and claims	521,638	627,210	126,395	220,198	682,970	30,720	2,209,130
Net income	1,795,256	630,676	400,366	294,312	771,551	789,952	4,682,114
Underwriting expenses							
Amortised deferred acquisition costs	(259,359)	(385,329)	(169,591)	(165,658)	(83,298)	(204,320)	(1,267,554)
Other underwriting expenses	(331,854)	(211,322)	(176,445)	(81,558)	(280,327)	(259,663)	(1,341,169)
	(591,213)	(596,651)	(346,036)	(247,216)	(363,625)	(463,983)	(2,608,723)
Underwriting profit	1,204,043	34,025	54,330	47,096	407,926	325,969	2,073,391

For the year ended 31 December 2018 *in thousands of Nigerian Naira*	**Motor**	**Fire and property**	**General accident**	**Marine and aviation**	**Oil and gas**	**Car and engineering**	**Total**
Gross premium written	1,591,681	1,720,061	1,071,432	574,468	3,851,335	1,704,101	10,513,078
Changes in unexpired premium	233,056	(145,069)	49,565	49,703	(557,449)	195,193	(175,001)
Gross premium earned	1,824,737	1,574,992	1,120,997	624,171	3,293,886	1,899,294	10,338,077
Outward re-insurance premium	(5,604)	(765,008)	(410,824)	(211,882)	(2,783,835)	(857,237)	(5,034,390)
Changes in unexpired outward premium	2,163	6,302	52,493	(7,909)	(776,573)	481,214	(242,310)
Net premium earned	1,821,296	816,286	762,666	404,380	(266,522)	1,523,271	5,061,377
Commission received	-	53,195	44,356	30,104	175,067	59,880	362,602
Total underwriting income	1,821,296	869,481	807,022	434,484	(91,455)	1,583,151	5,423,979
Gross claims paid	511,926	714,711	338,139	477,507	2,159,622	41,736	4,243,641
Gross liabilities at 31 December 2018	109,956	221,877	170,486	144,359	177,976	110,301	934,955
	621,882	936,588	508,625	621,866	2,337,598	152,037	5,178,596
Gross liabilities at 1 January 2018	(190,098)	(279,791)	(241,800)	(122,717)	(387,429)	(59,802)	(1,281,637)
Gross claim incurred	431,784	656,797	266,825	499,149	1,950,169	92,235	3,896,959
Reinsurance recoveries	-	318,394	112,998	170,694	1,874,918	18,571	2,495,575
Due from re-insurers at 31 December 2018	-	161,065	81,245	81,493	-	46,012	369,814
	-	479,459	194,243	252,186	1,874,918	64,583	2,865,389
Due from re-insurers at 1 January 2018	-	(178,995)	(150,145)	(99,860)	(288,094)	(38,828)	(755,922)
Gross recoveries	-	300,464	44,098	152,326	1,586,824	25,755	2,109,467
Net benefits and claims	431,784	356,333	222,727	346,823	363,345	66,480	1,787,492
Net income	1,389,512	513,148	584,295	87,661	(454,800)	1,516,670	3,636,487
Underwriting expenses							
Amortised deferred acquisition costs	(210,578)	(360,885)	(244,866)	(128,980)	(265,367)	(209,525)	(1,420,201)
Other underwriting expenses	(41,094)	(30,990)	(50,502)	(47,402)	(36,076)	(87,256)	(293,319)
	(251,672)	(391,875)	(295,368)	(176,382)	(301,443)	(296,781)	(1,713,520)
Underwriting profit	1,137,841	121,273	288,927	(88,721)	(756,243)	1,219,889	1,922,967

OTHER NATIONAL DISCLOSURES

147-149

STATEMENT OF VALUE ADDED

For the year ended *in thousands of Nigerian Naira*	**2019**	**%**	**2018**	**%**
Gross premium written	10,879,656		10,513,078	
Net claims expenses	(2,209,130)		(1,787,492)	
Premium ceded to reinsurance	(4,764,013)		(5,276,700)	
Other charges and expenses	(2,996,080)		(2,212,127)	
Fees and commission	940,991		362,602	
Investment income	405,797		334,495	
Value added	2,257,221		1,933,856	
Applied as follow:				
In payment to employees				
Employee benefits expense	951,104	42%	892,184	46%
In payment to Government				
As taxes	315,629	14%	196,318	10%
Retained in the business				
Depreciation	154,600	7%	162,691	8%
Amortization	6,116	0%	9,613	0%
Contingency reserve	326,390	14%	315,392	16%
Profit for the year	503,382	22%	357,658	18%
Value added	2,257,221	100	1,933,856	100

Value added statement represents the wealth created by the efforts of the company and its employees' efforts based on ordianry activities and the allocation of that wealth being created between employees, shareholders, government and that retained for the future creation of more wealth.

FIVE-YEAR FINANCIAL SUMMARY

Statement Of Financial Position					
As at	**31 December**	**31 December**	**31 December**	**31 December**	**31 December**
in thousands of Nigerian Naira	**2019**	**2018**	**2017**	**2016**	**2015**
Assets					
Cash and cash equivalents	7,141,882	5,241,513	3,400,291	3,015,331	2,582,695
Investment securities	407,288	499,471	975,422	562,846	929,904
Trade receivables	536,980	380,632	329,648	308,428	115,751
Reinsurance assets	2,021,507	1,872,344	2,500,761	1,733,315	1,822,099
Deferred acquisition costs	327,178	226,893	439,068	496,295	567,819
Other receivables and prepayments	275,062	94,584	100,455	39,006	430,493
Investment in associate	87,926	81,434	71,178	66,857	58,104
Investment properties	973,328	1,128,638	1,161,581	1,181,454	1,358,256
Intangible assets	6,123	12,239	15,505	20,792	29,424
Property, plant and equipment	1,326,152	1,468,679	1,386,862	1,620,472	842,381
Deferred tax assets	-	-	121,904	151,764	212,945
Statutory deposit	315,000	315,000	315,000	315,000	315,000
Total assets	13,418,426	11,321,427	10,817,675	9,511,560	9,264,871
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	3,324,006	3,088,838	3,260,519	2,838,600	3,046,784
Borrowing	1,152,429	973,360	861,919	750,456	531,976
Bank overdrafts	-	327,941	78,897	108,641	-
Trade payables	711,161	759,081	710,333	225,953	313,403
Other payables and accruals	77,356	128,910	180,132	121,918	119,916
Current income tax payable	159,455	108,451	71,739	46,158	17,108
Retirement benefit obligation	-	105,569	182,232	184,406	210,488
Deferred tax liabilities	207,413	8,922	-	-	-
Deposit for shares	-	-	-	-	-
Total liabilities	5,631,820	5,501,072	5,345,771	4,276,132	4,239,675
Equity					
Issued and paid-up share capital	5,682,248	4,170,412	4,170,412	4,170,412	4,170,412
Share premium	74,057	116,843	116,843	116,843	116,843
Contingency reserve	2,974,378	2,647,988	2,332,596	2,077,191	1,885,195
Revaluation reserve	225,103	225,103	225,103	175,288	-
Fair value reserve	14,213	20,394	4,949	(3,984)	1,171
Accumulated losses	(1,183,393)	(1,360,385)	(1,377,999)	(1,300,322)	(1,148,425)
Total equity	7,786,606	5,820,355	5,471,904	5,235,428	5,025,196
Total liabilities and equity	13,418,426	11,321,427	10,817,675	9,511,560	9,264,871
Statement Of Profit Or Loss					
Gross premium written	10,879,656	10,513,078	8,513,503	6,399,854	7,132,224
Premium earned	10,714,266	10,338,077	8,300,968	6,763,129	3,934,235
Profit before income tax	819,011	540,554	202,694	44,975	430,486
Profit after income tax	503,382	344,236	157,869	23,592	557,849
Per 50k share data (kobo)					
Earnings per share - Basic & diluted	5.86	4.13	1.89	0.28	7.11

Share Capital History

The changes to the Company's authorized and issued share capital since incorporation are summarized below:

Year	Authorised (₦)		Issued & Fully Paid-up(₦)		Consideration
Date	Increase	Cumulative	Increase	Cumulative	Cash/Bonus
1980	0	1,500,000	0	1,500,000	Cash
1988	500,000	2,000,000	500,000	2,000,000	-
1994	28,000,000	30,000,000	18,000,000	20,000,000	Cash
1995	0	30,000,000	0	20,000,000	-
1996	20,000,000	50,000,000	0	20,000,000	-
1997	50,000,000	100,000,000	14,000,000	34,000,000	Cash & Bonus
1998	0	100,000,000	36,000,000	70,000,000	Cash & Bonus
1999	0	100,000,000	3,500,000	73,500,000	Bonus
2000	50,000,000	150,000,000	23,375,000	96,875,000	Cash & Bonus
2001	50,000,000	200,000,000	9,375,000	106,250,000	Cash & Bonus
2002	0	200,000,000	45,250,000	151,500,000	Bonus
2003	300,000,000	500,000,000	202,000,000	353,500,000	Cash & Bonus
2004	500,000,000	1,000,000,000	80,229,342	433,729,342	Cash & Bonus
2005	0	1,000,000,000	77,266,023	510,995,365	Cash & Bonus
2006	1,000,000,000	2,000,000,000	0	510,995,365	Stock Split
2006	5,000,000,000	7,000,000,000	610,588,243	1,121,583,608	Private Placement /Cash
2007	0	7,000,000,000	1,046,648,587	2,168,232,195	Merger with Coral, Confidence & Prime trust Insurance Ltd/Cash
2008	0	7,000,000,000	433,646,438	2,601,878,633	Cash & Bonus
2009	0	7,000,000,000	0	2,601,878,633	-
2010	0	7,000,000,000	0	2,601,878,633	-
2011	0	7,000,000,000	834,000,064	3,435,878,697	Cash
2012	0	7,000,000,000	0	3,435,878,697	
2013	0	7,000,000,000	0	3,435,878,697	
2014	3,500,000,000	10,500,000,000	0	3,435,878,697	
2015	0	10,500,000,000	734,532,951	4,170,411,648	Cash
2016	0	10,500,000,000	0	4,170,411,648	-
2017	0	10,500,000,000	0	4,170,411,648	-
2018	4,500,000,000	15,000,000,000	0	4,170,411,648	-
2019	0	15,000,000,000	3,023,642,718	5,682,233,007	Cash

Unissued Shares of STI

Authorised Shares - 15,000,000,000
Issued Shares - 11,364,466,014
Balance Unissued - 3,635,533,986

Processes 151-190