SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
31 DECEMBER 2020

SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS **PAGE**

SOVEREIGN TRUST INSURANCE PLC

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

RC No.	31962
Nature of business	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 policyholders' funds.

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
	Mr. Abimbola Oguntunde	Non Executive Director
	Mr. Odoh Shedrack Chidozie	Non Executive Director
	Col. Musa Shehu (Rtd), OFR	Independent Director
	Ms. Omozusi Iredia	Non Executive Director (Retired)

Company Secretary Equity Union Limited

Registered Office
17, Adetokunbo Ademola Street
Victoria Island, Lagos, Nigeria
www.stiplc.com

Auditors
PKF Professional Services
PKF House
205A, Ikorodu Road
Obanikoro
Lagos

Bankers
First Bank of Nigeria Limited
Standard Chartered Bank
Zenith Bank Plc
Access Bank Plc
Guaranty Trust Bank 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

Solicitors Citipoint Chambers

Registrar Meristem Registrars Limited

SOVEREIGN TRUST INSURANCE PLC

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

Reporting Actuary	Logic Professional Services
Reinsurers	Aveni Reinsurance Company Limited African Reinsurance Corporation Continental Reinsurance Plc WAICA Reinsurance Corporation
Management Team	Olaotan Soyinka Managing Director/CEO
	Ugochi Odemelam Executive Director, Marketing & Business Development
	Jude Modilim Executive Director, Technical Operations
	Kayode Adigun GM/Divisional Head, Finance & Corporate Services
	Sanni Oladimeji DGM/Head, Risk Management & Compliance
	Segun Bankole DGM/Head, Sales & Corporate 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 Uche-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 and Accounts
	Victoria Eze AGM/ Head, Sales & Client Services 2
	Akinwunmi Akinrinmade AGM/ Head, Energy
	Ebinyu Faloughi AGM/ Head, Motor

SOVEREIGN TRUST INSURANCE PLC

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 ₦'000	2019 ₦'000	% Change
Statement of Profit or Loss and Other Comprehensive Income			
Gross premium written	**11,120,684**	10,879,656	2%
Net premium income	**6,541,908**	5,950,253	10%
Net claims expenses	**(3,485,778)**	(2,209,130)	58%
Profit before income tax	**796,107**	819,010	-3%
Profit after income tax	**687,698**	503,381	37%
Statement of Financial Position			
Total assets	**14,833,236**	13,418,426	11%
Total liabilities	**6,207,137**	5,631,820	10%
Total equity	**8,626,099**	7,786,606	11%
Insurance contract liabilities	**3,762,588**	3,324,005	13%
Per share data:			
Basic earnings per share (kobo)	**8.00**	5.86	37%

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

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 50 kobo per share with a paid up capital of ₦5.68 billion divided into 11.36 billion units of 50 kobo per share.

The Company's corporate head office is at Victoria Island, Lagos with 17 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.

	2020	2019
	₦'000	₦'000
2. OPERATING RESULTS		
Gross premium written	**11,120,684**	10,879,656
Net premium income	**6,541,908**	5,950,253
Net claims expenses	**(3,485,778)**	(2,209,130)
Profit before income tax	**796,107**	819,010
Income tax expense	**(108,409)**	(315,629)
Profit after income tax	**687,698**	503,381

3. DIVIDEND

No dividend is proposed in respect of the current year (2019 : 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 Managing Director's Report in the Annual Report.

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

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
Mr. Abimbola Oguntunde	-	Non Executive Director
Mr. Odoh Shedrack Chidozie	-	Non Executive Director
Col. Musa Shehu (Rtd), OFR	-	Independent Director
Ms. Omozusi Iredia	-	Non Executive Director (Retired)

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 2020 are as follows:

Name	**Number of direct Ordinary Shares held in 2020**	**Number of indirect Ordinary Shares held in 2020**	**Total 31 Dec 2020**	Total 31 Dec 2019	**Indirect Representation on the Board**
Mr. Oluseun O. Ajayi	666,156,859	892,725,284	1,558,882,143	1,558,882,143	Sovereign Investments Ltd
Mr. Olaotan Soyinka	8,298,960	-	8,298,960	8,298,960	-
Mrs. Ugochi Odemelam	6,735,481	-	6,735,481	6,735,481	-
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	2,499,000,000	Morning Side Capital Partners Ltd.
Mr. Jude Modilim	3,308,985	-	3,308,985	3,308,985	-
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 2020.

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 personnels do not make improper use of "price sensitive information" gained their position or engagement in the Company.

14. EMPLOYMENT AND EMPLOYEES

a) 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. Management, professional 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 inhouse and external training. Opportunities for career development within the company have also been broadened.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

b) 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 careers.

c) 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. Financial provision is also made for all employees in respect of transportation, housing, medical expenses and meals.

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 2020 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 2020 is as follows:

Range	No. of Holders	Percent	Unit	Percent
1 - 1,000	1,087	12%	515,732	0%
1,001 - 5,000	1,674	18%	5,001,290	0%
5,001 - 10,000	1,061	11%	7,939,569	0%
10,001 - 50,000	2,816	31%	71,056,563	1%
50,001 - 100,000	954	10%	68,203,078	1%
100,001 - 500,000	1,147	12%	237,927,151	2%
500,001 - 1,000,000	188	2%	138,234,636	1%
1,000,0001 - 5,000,000	205	2%	434,106,845	4%
5,000,001 - 10,000,000	31	0%	236,657,406	2%
10,000,001 - Above	67	1%	10,164,823,744	89%
Total	**9,230**	**100%**	**11,364,466,014**	**100%**

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

Substantial interest in shares

According to the register of members at 31 December 2020, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

	2020		2019	
NAME	**No. of Holding**	**% of Holding**	**No. of Holding**	**% of Holding**
Morning Side Capital Partners Ltd	2,499,000,000	21.99%	2,499,000,000	21.99%
Sovereign Investments Limited	995,100,018	8.76%	668,147,204	5.88%
TrustBanc Nominee 4	900,000,000	7.92%	900,000,000	7.92%
Teeof Holdings Limited	821,572,742	7.23%	821,572,742	7.23%
Tripple Tees Endowment Limited	684,381,657	6.02%	684,381,657	6.02%
Ajayi Oluseun O.	666,156,859	5.86%	666,156,859	5.86%
Others	4,798,254,738	42.22%	5,125,207,552	45.10%
Total	**11,364,466,014**	**100%**	**11,364,466,014**	**100%**

17. DONATIONS AND SPONSORSHIP

The tax allowable donations and sponsorship made during the year was ₦6,850,000 (2019: ₦1,500,000).

For the year ended 31 December 2020.

	2020	2019
	₦'000	₦'000
Contribution to Nigerian Insurance industry for COVID-19	**5,000**	-
Cancer awareness programme	**1,500**	-
Shekinah Praise	**250**	-
Marketplace Foundation	**-**	500
Olashore Intenational School	**-**	500
Chartered Institute of Taxation of Nigeria VI and Lekki District Society	**100**	250
Chartered Insurance Institute of Nigeria	**-**	150
Institute of Chartered Accountant of Nigeria (Lagos Mainland and District Society)	**-**	100
	6,850	1,500

18. PROPERTY AND EQUIPMENT

Information relating to the Company's property and equipment is detailed in Note 25 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. Mr. Shedrack Odoh	- Chairman
2. Colonel Musa Shehu (Rtd) (OFR)	- Member
3. Mr. Abimbola Oguntunde	- Member
4. Ms. Emi Faloughi	- Member
5. Mrs. Ugochi Odemelam	- Member

b) Finance, Investment and General Purposes Committee:

1. Mr. Abimbola Oguntunde	- Chairman
2. Ms. Emi Faloughi	- Member
3. Mr. Shedrack Odoh	- Member
3. Mr. Olaotan Soyinka	- Member
4. 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:

Enterprise Risk Management and Governance Committee:

1. Mr. Babatunde Adaramaja	- Chairman - Shareholders representative
2. Mr. Emmanuel Oluwadare	- Shareholders representative
3. Mr. David Ashaolu	- Shareholders representative
4. Ms. Emi Faloughi	- Non-Executive Director
5. Mr. Shedrack Odoh	- 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 2020.

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. RECORD OF COMMITTEES ATTENDANCE

a) Record of attendance at board meetings for the year 2020

DIRECTORS	18-03-20	20-08-20	25-11-20
Mr. Oluseun Ajayi	Yes	Yes	Yes
Col. Musa Shehu (Rtd), OFR	Yes	Yes	Yes
Mr. Abimbola Oguntunde	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes
Mr. Shedrack Odoh	Yes	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	(Retired)
Mr. Olaotan Soyinka	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes
Mrs. Ugochi Odemelam	Yes	Yes	Yes

b) Record of attendance at the Finance, Investment & General Purposes Committee meetings for 2020

MEMBERS	18-03-20	25-06-20	18-08-20	24-11-20
Ms. Omozusi Iredia	Yes	Yes	Yes	(Retired)
Mr. Abimbola Oguntunde	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes
Mr. Olaotan Soyinka	Yes	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes	Yes

c) Record of attendance at the Enterprise Risk Management & Governance Committee meetings for 2020

MEMBERS	19-08-20	24-11-20
Colonel Musa Shehu (Rtd) OFR	Yes	Yes
Mr. Abimbola Oguntunde	Yes	Yes
Ms. Emi Faloughi	Yes	Yes
Mr. Shedrack Odoh	Yes	Yes
Mrs. Ugochi Odemelam	Yes	Yes

d) Record of attendance at the Audit & Compliance Committee meetings for 2020

MEMBERS	16-03-20	25-06-20	19-08-20	23-11-20
Mr. Babatunde Adaramaja	Yes	Yes	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	Yes	(Retired)
Ms. Emi Faloughi	Yes	Yes	Yes	Yes
Mr. Emmanuel Oluwadare	Yes	Yes	Yes	Yes

21. AUDITORS

The Auditors, Messrs. PKF Professional Services, have expressed their willingness to continue in office as auditors in accordance with Section 401(2) of the Companies and Allied Matters Act, Cap C20 Laws of the Federation of Nigeria 2020.

BY ORDER OF THE BOARD

EQUITY UNION LIMITED
(Company Secretaries/ Nominees)

Yetunde Martins
FRC/2013/NBA/0000003399

Equity Union Limited
Company Secretary
Lagos, Nigeria

Date: 16 March 2021

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE AUDIT COMMITTEE IN RESPECT OF THE 2020 AUDITED ACCOUNTS

In compliance with the provision of section 359(3) to 6 of the Companies and Allied Matters Act (Cap C20) Laws of the Federation of Nigeria 2004, we the members of the Statutory Audit Committee of Sovereign Trust Insurance Plc ("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 2020 and we acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We confirm that the accounting and reportinig 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 2020 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 auditor's 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 March 2021

Members of the Audit Committee are:

Mr. Babatunde Adaramaja	-	Chairman - Shareholders' representative
Mr. David Ashaolu	-	Shareholders representative
Mr. Emmanuel Oluwadare	-	Member - shareholders' representative
Ms. Emi Faloughi	-	Member - Non Executive Director
Mr. Shedrack Odoh	-	Member - Non Executive Director

EQUITY UNION LIMITED
(Corporate Secretaries/ Nominees)

Secretary to the Committee
Yetunde Martins

SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CERTIFICATION PURSUANT TO SECTION 6 0(2) OF INVESTMENT AND SECURITIES ACT NO. 29 of 2007

We the undersigned hereby certify the following with regards to our financial statements for the year ended 31 December 2020 that:

a) We have reviewed the report;

b) To the best of our knowledge, the report does not contain:
i) Any untrue statement of a material fact, or
ii) Omit to state a material fact, which would make the financial statements misleading in the light of circumstances under which such statements were made;

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

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

e) We have disclosed to the auditors of the Company and Finance, Investment and General-Purpose Committee:
(i) 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
(ii) Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;

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

Date: 16 March 2021

Mr. Olaotan Soyinka
Managing Director/CEO
FRC/2013/CIIN/00000002671

Date: 16 March 2021

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. 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 the companies and allied Matters Act, 2020;
b) establishes adequate internal controls to safeguard its asset 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.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; in compliance with Financial Reporting Council of Nigeria Act No. 6, 2011 and in the manner required by the Companies and Allied Matters Act, 2020.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2020. 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. Olaseun O. Ajayi	**Mr. Olaotan Soyinka**
Chairman	Managing Director/CEO
FRC/2013/CIIN/00000003373	FRC/2013/CIIN/00000002671
Date: 16 March 2021	**Date:** 16 March 2021

Independent Auditor's Report

To the Shareholders of Sovereign Trust Insurance Plc

Opinion

We have audited the financial statements of Sovereign Trust Insurance Plc. ("the Company"), which comprise the statement of financial position at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies and Allied Matters Act 2020, the Insurance Act, Cap I17, LFN 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 Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Tel: +234(0) 9030001351 | 9030001352 • Email: lagos@pkf-ng.com | info@pkf-ng.com • Web: www.pkf-ng.com

List of Partners and Partner equivalents are available at 205A Ikorodu Road • Obanikoro • Lagos.

Offices in: Abuja • Jos • Kaduna • Kano.

Key audit matters

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

Key audit matters	How the matters were addressed in the audit
a) Valuation of Insurance Contract Liabilities The Company has insurance contract liabilities of ₦3.7 billion (2019: ₦3.3 billion which is significant. The valuation of insurance contract liabilities involves high estimation uncertainties and significant judgment over uncertain future outcomes. Provisions for reported claims are based on historical experience, however, the eventual liabilities may differ from the estimated amounts. Furthermore, the estimated liabilities for claims that have occurred but are yet to be reported in respect of non-life insurance contracts involve economic assumptions about inputs such as inflation rate, ultimate loss ratio and discount rates. Hence the eventual outcome is uncertain. The level of complexity, the assumptions and judgment involved in estimating these amounts make insurance contract liabilities a matter of significance to our audit. The company has in-house actuary who assesss on periodic basis, an estimate of the insurance liabilities. At the end of each year management employed the services of an external actuary in the determination of its insurance contract liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities defermined by the actuary.	Our approaches in relation to management's valuation of insurance contract liabilities included the following: i) We evaluated the design, implementation and operating effectiveness of key controls instituted by the Company which includes management review of data used for the valuation of insurance and investment contract liabilities. ii) We tested the accuracy and completeness of the underlying data used in actuarial valuations by checking claims paid, outstanding claims and underwriting data recorded in the Company's books. iii) We engaged our actuarial specialists to challenge the appropriateness of the methodology used by the Company's external actuary in calculating the insurance contract liabilities. This involved an assessment of the appropriateness of the valuation methods, taking into account available industry data and specific product features of the Company. iv) With the assistance of our actuarial specialists, we evaluated the reasonableness of the actuarial assumptions used by the Company's external actuary and performed liability adequacy tests on insurance and investment contract liabilities including assumptions and estimates on the projected cashflows, basic chain ladder runoff period, inflation rate, mortality and discount rates by comparing them to Company specific data, available industry data and market experience.

<table>
<tr><th>Key audit matters</th><th>How the matters were addressed in the audit</th></tr>
<tr><td>a) Valuation of insurance contract liabilities (Cont'd)

The Company's accounting policy on the valuation of insurance contract liabilities and related disclosures are shown in Note 2.15, 3 and 28 respectively.</td><td>v) We considered the Company's valuation methodology and assumptions for consistency between reporting periods as well as indicators of possible management bias. We were also assisted by our actuarial specialists in this regard.

Based on the work we have performed, we consider the valuation of insurance contract liabilities acceptable.</td></tr>
<tr><td>b) Valuation of investment properties and buildings
The valuation of the Company's investment property is a key audit matter due to the significance of the balance and judgment required in assessing the key valuation assumptions and methodology.

The investment properties are valued annually using the income capitalization methodology. Key assumptions in the valuation methodology include capitalization rate, vacancy rate, estimated expenses and future rental income.

At the end of each year management employed the services of external valuers in the determination of its investment properties and buildings' valuation. Necessary adjustments are made in the financial statements to reflect the valuation defermined by the valuers.

The Company's accounting policy on investment properties; property and equipment and related disclosures are shown in Notes 2.11, 21, 2.13 and 25.</td><td>Our audit approach included the following:
i) We assessed the appropriateness of the valuation methodology adopted by giving due consideration to the requirements of the relevant accounting standards and the Company accounting policies.

ii) We challenged key assumptions applied in the valuation of the properties, including the capitalization rates, vacancy rate, estimated expenses and future rental income, by comparing the assumptions to publicly available sales information, historical data, market experience and properties specific attributes such as location and asset condition.
iii) We ensured the appropriateness of the journals posted and agreed the figures in the financial statements to the valuation report.

iv) We recomputed the fair value gain on investment properties.

v) We involved our legal experts in the determination of the adequacy of the properties' title documents.

Based on the work we have performed, we consider the valuations of investment properties and land and buildings acceptable.</td></tr>
</table>

Key audit matters	How the matters were addressed in the audit
c) Impairment allowance on trade receivables and claims recoverable The impairment assessment of trade receivables and claims recoverable are key areas of judgment due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverable amount of the trade receivables and claims recoverable. The use of the Expected Credit Loss (ECL) model for the computation of impairment allowance requires the application of certain indices which are derived from historical financial data within and outside the Company, this includes: • Assessing the relationship between the quantitative and qualitative factors incorporated in determining the Probability of Default (PD), and the Loss Given Default (LGD) and the Exposure at Default (EAD). • Incorporating forward-looking information into the ECL model and probability weightings applied to them.	Our procedures in relation to management's impairment assessment of trade receivables and claims recoverable included: i) Obtained an understanding of the Expected Credit Loss (ECL) model prepared by management for the computation of impairment on trade receivables and claims recoverable. ii) Checked the forward-looking information used by management in its ECL calculations and corroborated the information using publicly available data comprising foreign exchange rate, gross domestic (GDP) growth rate, inflation, interest rates, unemployment rate etc. iii) Assessed the appropriateness of the most significant model assumptions including loss given default and probability of default and recalculated the impairment allowance. iv) Validated material transactions during the year to debit notes. v) We reviewed subsequent receipts after year end of trade receivables. vi) Performed other substantive procedures including review of ageing of claims recoverable. vii) Evaluated the appropriateness of the related disclosures in line with IFRS 9 requirements.
The Company's accounting policy on impairment and trade and other receivables are disclosed in Notes 2.9, 3, 17 and 18.	Based on the work we have performed, we consider the level of impairment allowance acceptable.

Other Matter

The financial statements of Soverign Trust Insurance Plc for the year ended 31 December 2019, was signed by another auditor who expressed an unmodified opinion on those financial statements on 18 May 2020.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report; Audit Committee's Report, and Statement of Directors Responsibilities which are expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express 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 appeared to be materially misstated.

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

Responsibilities of the Directors and those charged with Governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies and Allied Matters Act, 2020, the Insurance Act, Cap I17, LFN 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists and related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements
In accordance with the requirements of the Companies and Allied Matters Act, 2020 and Section 28(2) of the Insurance Act, Cap I17, LFN 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, 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 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 other comprehensive income present fairly, in all material respects,the financial position and financial performance of the Company.

Ayodeji K. Sonukan, FCA
FRC/2013/ICAN/00000002431
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
34/ICAN
0437338

Date: 19 March 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 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 Policyholders' Fund. The Company's 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 historical cost basis except for the undermentioned areas:
- 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.

The financial statements were approved by the board of Directors and authorised for issue on 16 March 2021.

2.2.1 Statement of compliance with IFRS
These financial statements have been prepared in accordance with the International Financial Reporting Standard (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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2020

2.3 Presentation currency

The financial statements are presented in Nigerian Naira (₦) and are rounded to the nearest thousand 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

Several standards amendments and interpretations apply for the first time in 2020 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.

2.5.1 Amendment to IFRS 3 - Business Combinations

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The Standards outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

The amendment relates to the definition of a "business" and they:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

- Narrow the definitions of a business and of outputs by focus ng on goods and services provided to customers and by removing the reference to an ability to reduce costs.

- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.

- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments did not have any impact on the Company's financial statements.

2.5.2 Amendment to IAS 1 - Presentation of financial statements and
IA6 8 Accounting policies, changes in acounting estimates and errors
The amendments are effective for annual reporting periods beginning on or after 1 January 2020, although earlier application was permitted. The purpose for the amendment is to expand on the definition of materiality and bring more clarity to its characteristics.

The revised definition of "Material" is quoted below:

"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 amendment emphasises five ways material information can be obscured:

- If the language regarding a material item, transaction or other event is vague or unclear.
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements.
- If dissimilar items, transactions or other events are inappropriately aggregated.
- If similar items, transactions or other events are inappropriately disaggregated.
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendment expands the definition to include:

Obscuring
Obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1.

Could reasonably be expected to influence
The existing definition referred to 'could influence' which the IASB felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

Primary users
The existing definition referred only to 'users' which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The amendments to the definition of material did not have a significant impact on the Company's financial statements.

2.5.3 Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
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 are effective for annual reporting periods beginning on or after 1 January 2020.

The adoption of phase 1 of the IBOR reform did not lead to a change in the Company's accounting policies and do not have any interest hedge accounting. The Company is currently assessing the impact of the phase 2 amendments.

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.

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.

2.5.4 Revised 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.

The conceptual framework did not have any material impact on the Company's financial statements.

2.5.5 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 did not have a significant 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. These assets are readily convertible into known amounts of cash.

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

The cash and cash equivalents for the purpose of the statement of cashflow comprise 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.

2.6 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and 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 cashflows 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 cashflows. The business model determines whether cashflows will result from collecting contractual cashflows, 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 cashflows.
- Hold to Collect and sell (Financial assets held with the objective of both collecting contractual cashflows 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 cashflows 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 cashflows are solely payments of principal and interest on principal amount outstanding at initial recognition is required to determine the classification.

Contractual cashflows 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 cashflows
- The contractual terms of the financial asset give rise on specified dates to cashflows 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 others.

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 cashflows and selling and
- The contractual terms of the financial asset give rise on specified dates to cashflows 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 cashflows 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 cashflows from the asset have expired Or
- The Company has transferred its rights to receive cashflows from the asset or has assumed an obligation to pay the received cashflows 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 cashflows 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 cashflows due in accordance with the contract and all the cashflows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cashflows will include cashflows 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 cashflows.

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.

2.7 Financial liabilities and equity instruments
2.7.1 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.

2.7.2 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.

2.7.3 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.

2.7.4 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.

2.7.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished- i.e. 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 recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is 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.

2.7.6 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.

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

2.9 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.

2.9.1 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.

2.9.2 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.

2.9.3 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.

2.10 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.

2.11 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 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 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 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.

2.12 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.

2.13 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 instalments 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.

2.14 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.

2.15 Insurance contract liabilities

2.15.1 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).

2.15.2 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.

2.15.3 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.

2.16 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.

2.17 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.

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

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

2.19.1 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.

2.19.2 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.

2.19.3 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.

2.20 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.

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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.25.1 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.

2.25.2 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.

2.25.3 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.

2.26 Benefits, claims and expenses recognition

2.26.1 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.

2.26.2 Underwriting expenses

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.

2.26.3 Other expenses

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

2.27 Leases

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 and equipment - (Note 2.13).

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.

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 ₦3.763 billion (2019 : ₦3.324 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 months 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 Company 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 based on the probability - weighted present value of the difference between:

- The contractual cash flows that are due to the Company under the contract; and
- 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.

4.1 Standards issued and effective on or after 1 January 2020

4.1.1 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.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, 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.

IFRS 17 is a comprehensive 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 cash flows 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.

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.

4.1.2 Amendments to IAS 1 - Classification of liabilities as current or non-current
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clañfy what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's inMentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

The effective date is 1 January 2022 (possibly deferred to 1 January 2023).

The impact of this amendment on the Company financial statements is currently under assessment.

4.1.3 Amendments to IAS 16 - Proceeds before intended use

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. It amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Company does not expect these amendments to have impact on its financial statements when it becomes effective.

4.1.4 Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

The changes in Onerous Contracts - Cost of Fulfilling a Contract specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company will not be affected by these amendments on the date of transition.

4.1.5 Amendments to IFRS 16 - COVID-19-related rent concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports. The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months.

The Company does not expect these amendments to have impact on its financial statements when they becomes effective.

4.1.6 Amendments to IFRS 3 - Reference to the conceptual framework
Minor amendments were made to îFRS 3 Business Combinatîons to update the reference to the Conceptual Frameworl‹ lor Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provision. Contingent Liabilities and Contingent Aesets and lnterpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The effective date is 1 January 2022.

The amendment will have no material effect on the Company's financial statements.

4.1.7 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.

4.1.8 Annual lmprovementn to IFRS Standards 2018 - 2020
The following Improvements were finalised in May 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - To remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The effective date is 1 January 2022.

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Gross premium written	5	**11,120,684**	10,879,656
Gross premium income	5	**11,284,087**	10,714,266
Premiums ceded to reinsurers	5	**(4,742,179)**	(4,764,013)
Net premium income		**6,541,908**	5,950,253
Commission income	6	**1,015,889**	940,991
Net underwriting income		**7,557,797**	6,891,244
Net claims expenses	7	**(3,485,778)**	(2,209,130)
Underwriting expenses	8	**(2,080,767)**	(2,608,723)
Underwriting profit	43	**1,991,252**	2,073,391
Investment income	9	**448,197**	405,797
Fair value gain/(loss) on equity instruments	16.3	**86,296**	(12,480)
Realised gain on equity instruments		**26,553**	9,075
Credit loss (expense)/reversal	12	**(18,064)**	14,257
Fair value gain on investment properties	21	**30,315**	45,796
Other operating income	10	**7,827**	309,247
Management expenses	11	**(1,740,696)**	(1,867,755)
Result of operating activities		**831,680**	977,328
Share of profit from associate	20.1	**3,886**	6,492
Interest on borrowings	29.1	**(39,459)**	(164,810)
Profit before income tax		**796,107**	819,010
Income tax expense	13	**(108,409)**	(315,629)
Profit after income tax		**687,698**	503,381
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation gain on property and equipment, net of tax	33.4	**165,457**	-
Fair value loss on equity instruments at fair value through other comprehensive income	16.3	**(13,662)**	(6,181)
Other comprehensive income for the year, net of tax		**151,795**	(6,181)
Total comprehensive income for the year, net of tax		**839,493**	497,200
Earnings per share:			
Basic (kobo)	14	**8**	6
Diluted (kobo)	14	**8**	6

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

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Assets			
Cash and cash equivalents	15	**7,274,017**	7,141,882
Investment securities	16	**565,133**	407,288
Trade receivables	17	**747,407**	536,980
Reinsurance assets	18	**2,684,186**	2,021,507
Other receivables and prepayments	19	**227,155**	275,062
Investment in associate	20	**91,812**	87,926
Investment properties	21	**1,013,643**	973,328
Intangible assets	22	**2,763**	6,123
Deferred acquisition costs	23	**299,934**	327,178
Right of use asset	24.1	**63,000**	-
Property, plant and equipment	25	**1,549,186**	1,326,152
Statutory deposit	27	**315,000**	315,000
Total assets		**14,833,236**	13,418,426
Liabilities and equity			
Liabilities			
Insurance contract liabilities	28	**3,762,588**	3,324,005
Borrowings	29	**1,250,580**	1,152,429
Trade payables	30	**453,993**	711,161
Other payables and accruals	31	**146,092**	77,357
Lease liabilities	24.2	**63,379**	-
Current income tax payable	26.1	**390,097**	159,455
Deferred tax liabilities	26.2	**140,408**	207,413
Total liabilities		**6,207,137**	5,631,820
Equity			
Ordinary share capital	33.1	**5,682,248**	5,682,248
Share premium	33.2	**74,057**	74,057
Contingency reserve	33.3	**3,307,999**	2,974,378
Revaluation reserve	33.4	**390,560**	225,103
Fair value reserve	33.5	**551**	14,213
Accumulated losses	33.6	**(829,316)**	(1,183,393)
Total equity		**8,626,099**	7,786,606
Total liabilities and equity		**14,833,236**	13,418,426

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 16 March 2021 and were signed on its behalf by:

Mr. Oluseun O. Ajayi	**Mr. Olaotan Soyinka**	**Mr. Kayode Adigun**
Chairman	**Managing Director/CEO**	**Chief Financial Officer**
FRC/2013/CIIN/00000003373	FRC/2013/CIIN/00000002671	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.

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary share capital ₦'000	Share premim ₦'000	Contingency reserve ₦'000	Revaluation reserve ₦'000	Fair value reserve ₦'000	Accumulated losses ₦'000	Total equity ₦'000
At 1 January 2019	4,170,412	116,843	2,647,988	225,103	20,394	(1,360,384)	5,820,356
Profit after income tax for the year	-	-	-	-	-	503,381	503,381
Fair value loss on equity instruments at -FVTOCI	-	-	-	-	(6,181)	-	(6,181)
Total comprehensive income for the year	-	-	-	-	(6,181)	503,381	497,200
Transaction directly affecting equity holders							
Rights issue in the year	1,511,836	-	-	-	-	-	1,511,836
Capital raising expenses	-	(42,786)	-	-	-	-	(42,786)
Transfer between reserves	-	-	326,390	-	-	(326,390)	-
At 31 December 2019	5,682,248	74,057	2,974,378	225,103	14,213	(1,183,393)	7,786,606
At 1 January 2020	**5,682,248**	**74,057**	**2,974,378**	**225,103**	**14,213**	**(1,183,393)**	**7,786,606**
Profit after income tax for the year	**-**	**-**	**-**	**-**	**-**	**687,698**	**687,698**
Fair value loss on equity instruments at -FVTOCI	**-**	**-**	**-**	**-**	**(13,662)**	**-**	**(13,662)**
Revaluation gain on property and equipment	**-**	**-**	**-**	**236,367**	**-**	**-**	**236,367**
Deferred tax adjustment	**-**	**-**	**-**	**(70,910)**	**-**	**-**	**(70,910)**
Total comprehensive income for the year	**-**	**-**	**-**	**165,457**	**(13,662)**	**687,698**	**839,493**
Transaction directly affecting equity holders							
Transfer between reserves	**-**	**-**	**333,621**	**-**	**-**	**(333,621)**	**-**
At 31 December 2020	**5,682,248**	**74,057**	**3,307,999**	**390,560**	**551**	**(829,316)**	**8,626,099**

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

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Operating activities:			
Premium received from policyholders		**10,215,945**	10,723,308
Reinsurance receipts in respect of claims	7	**703,915**	513,835
Cash paid to and on behalf of employees	11.1	**(826,619)**	(951,104)
Reinsurance premium paid		**(5,577,554)**	(4,906,234)
Fees and commission income	6	**1,015,889**	940,991
Underwriting expenses	8	**(2,053,523)**	(2,709,008)
Other operating cash payments		**(708,583)**	(680,723)
Investment income	9	**448,197**	405,797
Claims paid	28.1	**(2,900,626)**	(2,782,105)
Gratuity benefit paid to employees	32.2	**-**	(105,569)
Income tax paid	26.1	**(15,682)**	(66,134)
Net cash flows from operating activities	35	**301,359**	383,054
Investing activities:			
Purchase of property, plant and equipment	25	**(127,930)**	(12,072)
Purchase of intangible assets	22	**(1,800)**	-
Receipts from mortgage loans	16.3	**6,683**	29,183
Purchase of debt instruments at amortised cost	16.3	**-**	(25,144)
Proceeds from bonds maturity	16.3	**82,453**	13,232
Purchase of investment properties	21	**(10,000)**	(2,601)
Proceeds from other receivable (investment properties)	19.1	**33,916**	30,000
Purchase of quoted shares	16.3	**(317,570)**	(72,158)
Proceeds from disposal of quoted stock	16.3	**167,150**	72,157
Realised gain on equities		**-**	9,075
Disposal of unquoted stock		**-**	71,637
Net cash flows from investing activities		**(167,098)**	113,309
Financing activities:			
Additional share capital		**-**	1,511,836
Capital raising expenses		**-**	(42,786)
Net cash flows from financing activities		**-**	1,469,050
Net increase in cash and cash equivalents		**134,261**	1,965,413
Short term investments above 91 days		**(554,150)**	-
Net foreign exchange difference		**-**	260,613
Cash and cash equivalents at 1 January		**7,151,430**	4,925,404
Cash and cash equivalents at 31 December	34	**6,731,541**	7,151,430

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Net premium income
Premium earned by principal class of business.

	2020			2019		
	Gross premium income	Premium ceded to reinsurers	Net premium income	Gross premium income	Premium ceded to reinsurers	Net premium income
	₦'000	₦'003	₦'000	₦'000	₦'000	₦'000
Motor	**2,104,675**	**-**	**2,104,675**	2,286,314	(9,079)	2,277,235
Fire and property	**1,691,038**	**(561,756)**	**1,129,282**	1,819,409	(667,378)	1,152,031
General accident	**850,363**	**(495,491)**	**354,872**	918,097	(585,002)	333,095
Marine and aviation	**955,223**	**(515,473)**	**439,750**	825,634	(373,669)	451,965
Oil and gas	**3,991,567**	**(2,787,593)**	**1,203,974**	3,889,282	(2,751,689)	1,137,593
Car and engineering	**1,527,818**	**(367,135)**	**1,160,683**	1,140,920	(397,743)	743,177
Gross premium written	**11,120,684**	**(4,727,448)**	**6,393,236**	10,879,656	(4,784,560)	6,095,096
Changes in unearned premium	**163,403**	**(14,731)**	**148,672**	(165,390)	20,547	(144,843)
Total premium income	**11,284,087**	**(4,742,179)**	**6,541,908**	10,714,266	(4,764,013)	5,950,253

	2020	2019
	₦'000	₦'000
6. Commission income		
Oil and gas	**936,997**	336,768
Fire and property	**-**	184,998
General accident	**12,946**	188,433
Marine and aviation	**27,931**	96,473
Car and engineering	**38,015**	134,319
	1,015,889	940,991

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
7. Net claims expenses		
Gross claims paid (Note 28.1)	**2,900,626**	2,782,105
Changes in outstanding claims provision	**601,986**	69,777
	3,502,612	2,851,882
Re-insurance recoverable:		
Claims recoveries	**(703,915)**	(513,835)
Changes in outstanding claims due from reinsurers	**687,081**	(128,917)
	3,485,778	2,209,130

	2020	2019
8. Underwriting expenses		
Acquisition costs incurred:		
Commission paid (Note 23)	**1,376,770**	1,367,839
Changes in deferred acquisition costs	**27,242**	(100,285)
Commission incurred (Note 23)	**1,404,012**	1,267,554
Maintenance costs	**676,755**	1,341,169
	2,080,767	2,608,723

Maintenance costs comprise of underwriting survey, motor tracking expenses and other related underwriting expenses other than commission payable on premium income.

	2020	2019
9. Investment income		
Interest income	**410,360**	386,464
Dividend income	**30,238**	16,232
Rental income from investment properties (Note 21)	**7,599**	3,101
	448,197	405,797

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

	2020	2019
10. Other operating income		
Net foreign exchange gain	**-**	260,613
Sundry income	**7,827**	48,634
	7,827	309,247

	2020	2019
	₦'000	₦'000
11. Management expenses		
Employee benefits expense (Note 11.1)	**826,619**	951,104
Other expenses (Note 11.2)	**684,661**	717,201
Depreciation on property, plant and equipment (Note 25)	**141,263**	154,600
Exchange difference on Daewoo Bond (Note 29.1)	**59,071**	14,259
Directors fee and allowance	**15,922**	14,475
Amortisation of intangible assets (Note 22)	**5,160**	6,116
Auditors' remunerations	**8,000**	10,000
	1,740,696	1,867,755
11.1 Employee benefits expense		
Wages and salaries	**761,345**	887,012
Defined contribution pension costs (Note 11.1.1)	**65,274**	64,092
	826,619	951,104

11.1.1 The total contribution pension charged to profit or loss during the year is ₦65.3 million (2019 : ₦64.1 million).

	2020	2019
11.2 Other expenses		
Advertising	**71,284**	128,459
Bank charges	**67,946**	67,358
Rent and rate	**37,025**	60,270
Fuel, electricity and energy	**42,042**	52,432
Insurance	**49,922**	50,429
Staff training and education	**7,608**	50,176
NAICOM Levy	**115,137**	39,198
Transport and travelling expenses	**16,023**	31,739
Data processing	**26,360**	28,887
Automobile expenses	**14,691**	24,918
Office building maintenance and security	**24,376**	28,146
Gifts	**25,157**	24,616
Professional fees	**36,108**	24,115
Telephone expenses	**9,089**	21,924
Annual general meeting expenses	**14,754**	17,069
Forms and printing expenses	**15,105**	13,269
Contribution to I.T.F. levy	**16,159**	8,864
Office and stationery expenses	**10,721**	8,817
Contribution to NSITF	**5,113**	5,675
Equipment maintenance and repairs	**5,107**	4,534
Hotel accommodation	**2,690**	4,135
Contribution to NHF	**4,728**	3,595
Periodicals and books	**2,550**	3,352
Tax consultancy expenses	**2,993**	3,323
Courier and postages expenses	**4,124**	3,219
Entertainment	**3,348**	2,684
Local government dues	**1,794**	1,622
Security Exchange Commission and Nigerian Stock Exchange expenses	**3,071**	1,504
Contribution and donation	**6,850**	1,500
Club membership and subscriptions	**2,785**	1,222
Staff uniforms	**-**	150
Stamp duty	**7,537**	-
Tax fine on VAT and Withholding tax	**32,464**	-
	684,661	717,201

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
12. Credit loss expense/(reversal)				
31 December 2020				
Cash in banks and short-term deposits (Note 15b)	**2,126**	**-**	**-**	**2,126**
Trade receivables	**6,258**	**-**	**-**	**6,258**
Claims recoverable	**9,671**	**-**	**-**	**9,671**
Debt instruments at amortised cost:				
Bonds	**9**	**-**	**-**	**9**
Loans and advances (Note 16.2)	**-**	**-**	**-**	**-**
	9	**-**	**-**	**9**
	18,064	**-**	**-**	**18,064**
31 December 2019				
Cash in banks and short-term deposits (Note 15b)	(2,284)	-	-	(2,284)
Other receivables and prepayments (Note 19)	3,411	-	-	3,411
Debt instruments at amortised cost:				
Bonds	-	(793)	-	(793)
Loans and advances (Note 16.2)	(14,591)	-	-	(14,591)
	(14,591)	(793)	-	(15,384)
	(16,875)	(793)	-	(14,257)

	2020	2019
	₦'000	₦'000
13. Income tax expense		
The major components of income tax expense for the year ended 31 December 2020 are:		
13.1 Current tax year charge		
Current year tax:		
Company income tax	**202,405**	92,327
Education tax	**16,763**	16,580
Information technology levy	**5,802**	8,190
Police Trust Fund levy	**42**	41
Total corporate tax (Note 26.1)	**225,012**	117,138
Over-provision for tax	**21,312**	-
Deferred taxation:		
(Write-back)/charge (Note 26.2)	**(137,915)**	198,491
Total income tax expense	**108,409**	315,629

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
13.2 Reconciliation of tax charge		
Profit before income tax	**796,107**	819,010
Tax at Nigerian's statutory income tax rate of 30%	**238,832**	245,703
Tax exempt income	**(440,598)**	(520,339)
Information technology	**5,802**	8,190
Non-deductible expenses	**287,568**	565,454
Police Trust Fund levy	**42**	41
Education tax @ 2% of assessable profit	**16,763**	16,580
	108,409	315,629

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:

	2020	2019
Net profit attributable to ordinary shareholders for basic earnings	**687,698**	503,381
Total outstanding number of ordinary shares in the year	**11,364,496**	11,364,496
Weighted average number of ordinary shares for basic earning per share	**8,592,797**	8,592,797
Basic earnings per ordinary share (kobo)	**8.00**	5.86
Diluted earnings per ordinary share (kobo)	**8.00**	5.86

There have been no other transactions involving ordinary share or potential ordinary share between the reporting 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

	2020	2019
Cash in banks	**2,897,737**	1,974,881
Short-term deposits	**4,387,954**	5,176,549
	7,285,691	7,151,430
Allowance for expected credit loss (Note 15.1b)	**(11,674)**	(9,548)
	7,274,017	7,141,882

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 10.89% per annum (2019: 11%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15.1 Impairment allowance for current account with bank and short-term deposits measured 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.

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
Performing				
High grade	-	-	-	-
Standard grade	7,285,691	-	-	7,285,691
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	-	-
	7,285,691	-	-	7,285,691

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

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
At 1 January 2020	7,151,430	-	-	7,151,430
New assets originated or purchased	4,350,484	-	-	4,350,484
Assets derecognised or repaid	(4,216,223)	-	-	(4,216,223)
At 31 December 2020	7,285,691	-	-	7,285,691
ECL allowance				
At 1 January 2020	9,548	-	-	9,548
New assets originated or purchased	11,674	-	-	11,674
Assets derecognised or repaid	(9,548)	-	-	(9,548)
Credit loss expense (Note 12)	2,126	-	-	2,126
At 31 December 2020	11,674	-	-	11,674

	Current account with bank	Short-term deposit	Total
	₦'000	₦'000	₦'000
Credit analysis as at 31 December 2020			
Performing			
High grade	-	-	-
Standard grade	2,897,737	4,387,954	7,285,691
Sub-standard grade	-	-	-
Past-due but not impaired	-	-	-
Non-performing			
Individually	-	-	-
	2,897,737	4,387,954	7,285,691

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.

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
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:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
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
ECL allowance				
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 (Note 12)	(2,284)	-	-	(2,284)
At 31 December 2019	9,548	-	-	9,548

	Current account with bank	Short-term deposit	Total
	₦'000	**₦'000**	**₦'000**
Credit analysis as at 31 December 2019			
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	-	-	-
	1,974,881	5,176,549	7,151,430

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
16. Investment securities		
Equity instruments at fair value through profit or loss	**421,473**	160,821
Equity instrument at fair value through other comprehensive income (Note 16.1)	**44,519**	58,181
Debt securities at amortised cost (Note 16.2)	**99,141**	188,286
	565,133	407,288
16.1 Equity instrument at fair value through other comprehensive income		
Waica Reinsurance Corporation	**41,898**	55,560
Interconnect Clearinghouse Nigeria Limited	**2,621**	2,621
	44,519	58,181
16.2 Debt securities at amortised cost		
Federal Government bonds	**-**	79,706
State Government bonds	**62,672**	65,430
Corporate bonds	**35,991**	35,980
Mortgage loan	**7,694**	14,377
Gross amount (Note a)	**106,357**	195,493
Allowance for expected credit loss (Note b)	**(7,216)**	(7,207)
	99,141	188,286

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.

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
Performing				
High grade	**98,663**	**-**	**-**	**98,663**
Standard grade	**7,694**	**-**	**-**	**7,694**
Sub-standard grade	**-**	**-**	**-**	**-**
Past due but not impaired	**-**	**-**	**-**	**-**
Non-performing				
Individually impaired	**-**	**-**	**-**	**-**
	106,357	**-**	**-**	**106,357**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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:

	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
Gross carrying amount				
At 1 January 2020	195,493	-	-	195,493
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	(89,136)	-	-	(89,136)
At 31 December 2020	106,357	-	-	106,357
ECL allowances				
At 1 January 2020	7,207	-	-	7,207
New assets originated or purchased	9	-	-	9
Assets derecognised or repaid	-	-	-	-
Credit loss expense (Note 12)	9	-	-	9
At 31 December 2020	7,216	-	-	7,216

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.

	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
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

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

b. An analysis of changes in the gross carrying amount and the corresponding ECL

	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
Gross carrying amount				
At 1 January 2019	185,028	27,736	-	212,764
New assets originated or purchased	25,144	-	-	25,144
Assets derecognised or repaid	(14,679)	(27,736)	-	(42,415)
At 31 December 2019	195,493	-	-	195,493
ECL allowances				
At 1 January 2019	8,724	13,868	-	22,592
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	(1,517)	(13,868)	-	(15,385)
Credit loss reversal (Note 12)	(1,517)	(13,868)	-	(15,385)
At 31 December 2019	7,207	-	-	7,207

16.3 Movement in investment securities

	Equity at fair value through profit or loss ₦'000	Equity at fair through other comprehen sive income ₦'000	Debt instruments at amortised cost ₦'000	Total ₦'000
At 1 January 2020	**160,821**	**58,181**	**195,493**	**414,495**
Additions	**317,570**	**-**	**-**	**317,570**
Disposals	**(167,150)**	**-**	**-**	**(167,150)**
Reclassified to sundry receivables	**(2,617)**	**-**	**-**	**(2,617)**
Receipts from loans	**-**	**-**	**(6,683)**	**(6,683)**
Proceeds from bonds maturity	**-**	**-**	**(82,453)**	**(82,453)**
Fair value gain recognised in profit or loss	**112,849**	**-**	**-**	**112,849**
Fair value loss recorded in other comprehensive income	**-**	**(13,662)**	**-**	**(13,662)**
	421,473	**44,519**	**106,357**	**572,349**
Expected credit losses	**-**	**-**	**(7,216)**	**(7,216)**
At 31 December 2020	**421,473**	**44,519**	**99,141**	**565,133**

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity securities at FVTPL	Equity securities at FVOCI	Debt instruments at amortised cost	Total
	₦'000	₦'000	₦'000	₦'000
16.3 Movement in investment securities				
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 loss recorded in other comprehensive income	-	(6,181)	-	(6,181)
	160,821	58,181	195,493	414,495
Expected credit losses	-	-	(7,207)	(7,207)
At 31 December 2019	160,821	58,181	188,286	407,288

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.

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Carrying amount	Level 1	Level 2	Level 3	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2020					
Equity instruments at fair value through profit or loss	**421,473**	**421,473**	**-**	**-**	**421,473**
Equity instrument at fair value through other comprehensive income	**44,519**	**-**	**-**	**44,519**	**44,519**
Debt securities at amortised cost	**99,141**	**-**	**99,141**	**-**	**99,141**
Reconciliation of level 3 items					
At 1 January 2020	**-**	**-**	**-**	**58,181**	**58,181**
Loss recognised through other comprehensive income	**-**	**-**	**-**	**(13,662)**	**(13,662)**
At 31 December 2020	**565,133**	**421,473**	**99,141**	**44,519**	**565,133**
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	-	188,286	-	188,286
Reconciliation of level 3 items					
At 1 January 2019	-	-	-	64,362	64,362
Loss recognised through other comprehensive income	-	-	-	(6,181)	(6,181)
At 31 December 2019	407,288	160,821	188,286	58,181	407,288

During the year ended 31 December 2020 and comparative year 31 December 2019, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16.4. Determination of fair value and fair value hierarchy
Level 3 fair value measurement
16.4.1 Unobservable inputs used in measure fair value

The table below sets out information about significant unobservable inputs used at 31 December 2020 and 31 December 2019 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Type of instrument	Fair value ₦'000	Valuation technique	Significant unobservable input	Range of estimates
Unquoted equity investment	44,519	Equity DCF Model	Discount rate	Risk premium of 11% - 13% (2019: 10.6 - 11%) above risk-free interest rate of 14% (2019 : 14%).
			Estimate cash flow	5-years Compound Annual Growth Rate (CAGR) of cash flow of 5% (2019: 5%).

16.4.2 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 of fair value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

		2020 ₦'000	2019 ₦'000
Effect on OCI			
Discount rate	+5%	**(14,345)**	(6,655)
	-5%	**12,979**	900
Compound 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 in future dividend cash flows to equity, valuation horizon and Capital Assets Pricing Model (CAPM) discount rate (Risk free rate plus.

16.4.3 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:

16.5 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16.5.1 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).

16.5.2 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.

16.5.3 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.

16.5.4 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.

	2020	2,019
	₦'000	₦'000
17. Trade receivables		
Insurance receivables	**753,665**	536,980
Impairment allowance	**(6,258)**	-
	747,407	536,980

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

	2020	2,019
17.1 Analysis of insurance receivables by counter party		
Gross due from insurance brokers	**753,665**	536,980
18. Reinsurance assets		
Reinsurance share of outstanding claims	**1,185,811**	498,730
Prepaid reinsurance (Note18.1)	**1,508,046**	1,522,777
	2,693,857	2,021,507
Impairment allowance	**(9,671)**	-
	2,684,186	2,021,507

At 31 December 2020, the Company conducted an impairment review of the reinsurance assets. The carrying amounts disclosed above approximate the fair value at the reporting date.

	2020	2019
	₦'000	₦'000
18.1 Movement in prepaid reinsurance		
At 1 January	**1,522,777**	1,502,530
Additions during the year	**4,727,448**	4,784,260
Recognised in profit or loss (Note 5)	**(4,742,179)**	(4,764,013)
At 31 December	**1,508,046**	1,522,777
19. Other receivables and prepayments		
Contribution to Nigerian Insurance Association	**50,300**	50,300
Staff debtors	**8,876**	15,808
Others (Notes 19.1)	**139,791**	173,707
Prepayments (Note 19.2)	**28,982**	38,658
Sundry receivable	**2,617**	-
	230,566	278,473
Impairment allowance	**(3,411)**	(3,411)
	227,155	275,062

19.1 This balance represents amount owed to the Company for the disposal of an investment property at Agbara Estate. The carrying amount at inception was ₦203.7 million out of which ₦63.9 million has been recovered till date, out of which ₦33.9 million was received during the year.

The carrying amount 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 rent.

	2020	2019
20. Investment in associate		
Investment accounted for using equity method		
Investment in STI Leasing	**74,200**	74,200
Share of retained earnings in STI Leasing (Note 20.1)	**17,612**	13,726
	91,812	87,926
20.1 Analysis of share of profit from associate		
At 1 January	**13,726**	7,234
Share of profit during the year	**3,886**	6,492
At 31 December	**17,612**	13,726

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
21. Investment properties		
At 1 January	**973,328**	1,128,638
Addition during the year	**10,000**	2,601
Disposal in the year	**-**	(203,707)
Fair value gain	**30,315**	45,796
At 31 December	**1,013,643**	973,328

The addition to investment property was the recognition 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 valuers as at 31 December 2020. The valuers are specialists in valuing 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 analysis of market data and other sectors specific peculiarities corroborated with available data derived from previous experiences.

Valuations are performed on an annual basis and the fair value gains and losses were recorded within the Statement of profit or 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.

	2020	2019
	₦'000	₦'000
Rental income derived from investment properties (Note 9)	**7,599**	3,101

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The fair value disclosure for investment properties is as follows:

Fair value measurement using

	Quoted prices in active market Level 1 ₦'000	Significant observable inputs Level 2 ₦'000	Significant unobservable inputs Level 3 ₦'000	Total ₦'000
Date of valuation:				
31 December 2020				
Investment properties	**-**	**-**	**1,013,643**	**1,013,643**
31 December 2019				
Investment properties	-	-	973,328	1,013,643

During the reporting year ended 31 December 2020, 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.

The items of investment properties are as shown below:

	Name of Valuer	2020 ₦'000	2019 ₦'000
May Fair Gardens	Rogba Orimolade & Co	**30,000**	30,000
Ibeshe Properties	J. Ajayi Patuola & Co	**81,500**	77,400
Sunrise Estate, Ipaja	Amos Jolaoye & Co	**49,077**	49,000
Solteby Apartment	Amos Jolaoye & Co	**47,500**	47,000
Epie Swali Road, Yenagoa	Gerry Iputu & Partners	**95,100**	81,633
Alagbaka Junction, Akure	J. Ajayi Patuola & Co	**422,370**	415,335
Awolowo Road, Ikoyi	Amos Jolaoye & Co	**288,096**	272,960
		1,013,643	973,328

The movement in investment properties is shown as below:

	31-Dec-19	Additions	Disposal / reclassification	Fair value gain	31-Dec-20
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
31 December 2020					
May Fair Gardens	30,000	-	-	-	**30,000**
Ibeshe Properties	77,400	-	-	4,100	**81,500**
Sunrise Estate, Ipaja	49,000	-	-	77	**49,077**
Solteby Apartment	47,000	-	-	500	**47,500**
Epie Swali Road, Yenagoa	81,633	-	-	13,467	**95,100**
Alagbaka Junction, Akure	415,335	-	-	7,035	**422,370**
Awolowo Road, Ikoyi	272,960	10,000	-	5,136	**288,096**
	973,328	10,000	-	30,315	**1,013,643**

	31-Dec-18	Additions	Disposal / reclassification	Fair value gain	31-Dec-19
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
31 December 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
Investment Properties along, Epie Swali Road, Yenagoa	78,232	-	-	3,401	81,633
Investment Properties at Alagbaka Junction, Akure	399,700	-	-	15,635	415,335
Investment Properties along Awolowo Road, Ikoyi	260,000	2,600	-	10,360	272,960
	1,128,639	2,600	(203,707)	45,796	973,328

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
22. Intangible assets		
Computer software		
Cost:		
At 1 January	72,751	72,751
Additions	1,800	-
At 31 December	74,551	72,751
Accumulated amortization:		
At 1 January	66,628	60,512
Amortisation charge	5,160	6,116
At 31 December	71,788	66,628
Carrying amount	2,763	6,123

Intangible assets represent externally purchased software for the running of the business.

23. Deferred acquisition costs

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

	Fire	Motor	General accident	Engineering	Marine & aviation	Oil and gas	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2019	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 (Note 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
Commission paid	367,095	243,445	164,240	285,976	225,906	90,106	1,376,768
Amortisation (Note 8)	(417,243)	(192,730)	(168,629)	(311,251)	(218,597)	(95,562)	(1,404,012)
At 31 December 2020	**93,930**	**52,987**	**36,800**	**35,664**	**79,293**	**1,260**	**299,934**
Current	93,930	52,987	36,800	35,664	79,293	1,260	299,934
Non-current	-	-	-	-	-	-	-

	2020	2,019
	₦'000	₦'000
24. Leases		
24.1 Right of use assets		
Motor vehicle		
Cost		
At 1 January	**-**	-
Additions	**63,000**	-
At 31 December	**63,000**	-
Accumulated depreciation		
Depreciation charge	**-**	-
At 31 December	**-**	-
Carrying amount	**63,000**	-

Charge and depreciation will commence in 2021.

	2020	2,019
24.2 Lease liabilities		
At 1 January	**-**	-
Additions	**63,000**	-
Interest expense	**379**	-
At 31 December	**63,379**	-

The lease is a finance lease.

25. Property, plant and equipment

	Land	Building	Leasehold improvements	Office equipment	Furniture & fittings	Plant & machinery	Motor vehicles	Computer & equipment	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cost/revaluation									
At 1 January 2019	522,000	634,708	135,844	88,825	115,200	81,062	1,197,284	220,327	2,995,250
Additions	-	-	-	3,357	2,316	445	-	5,954	12,072
Disposal	-	-	-	-	-	-	-	-	-
At 31 December 2019	**522,000**	**634,708**	**135,844**	**92,182**	**117,516**	**81,507**	**1,197,284**	**226,281**	**3,007,322**
Additions	**-**	**18,300**	**-**	**1,557**	**1,025**	**10,665**	**86,200**	**10,183**	**127,930**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**(7,500)**	**-**	**(7,500)**
Reclassification	**-**	**135,844**	**(135,844)**	**-**	**-**	**-**	**-**	**-**	**-**
Revaluation surplus/(deficit)	**236,367**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**236,367**
Revaluation adjustment	**-**	**(242,808)**	**-**	**-**	**-**	**-**	**-**	**-**	**(242,808)**
At 31 December 2020	**758,367**	**546,044**	**-**	**93,739**	**118,541**	**92,172**	**1,275,984**	**236,464**	**3,121,311**
Accummulated depreciation									
At 1 January 2019	-	98,843	97,718	81,893	107,023	62,517	868,551	210,025	1,526,570
Charge	-	12,694	13,584	2,728	3,796	6,395	108,325	7,078	154,600
At 31 December 2019	**-**	**111,537**	**111,302**	**84,621**	**110,819**	**68,912**	**976,876**	**217,103**	**1,681,170**
Charge	**-**	**12,785**	**7,184**	**3,040**	**2,253**	**6,874**	**98,801**	**10,326**	**141,263**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**(7,500)**	**-**	**(7,500)**
Reclassification	**-**	**118,486**	**(118,486)**	**-**	**-**	**-**	**-**	**-**	**-**
Revaluation adjustment	**-**	**(242,808)**	**-**	**-**	**-**	**-**	**-**	**-**	**(242,808)**
At 31 December 2020	**-**	**-**	**-**	**87,661**	**113,072**	**75,786**	**1,068,177**	**227,429**	**1,572,125**
Carrying amount									
At 31 December 2020	**758,367**	**546,044**	**-**	**6,078**	**5,469**	**16,386**	**207,807**	**9,035**	**1,549,186**
At 31 December 2019	522,000	523,171	24,542	7,561	6,697	12,595	220,408	9,178	1,326,152

i. No leased assets are included in the above property and equipment (2019: Nil).
ii. There were no capital commitment contracted or authorised as at the reporting date (2019: Nil).
iii. There were not capitalised borrowing cost related to the acquisition of property and equipment during the year (2019: Nil).
iv. None of the assets are pledged during the year (2019: Nil).

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 2020 for ₦1,011,467,300 by Amos Jolaoye & Co. Chartered Surveyors (FRC/2012/NIESV/00000000597), Valuers and Real Estate Consultants. Also, the Company's 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 2020 for ₦292,942,750 by Amos Jolaoye & Co. Chartered Surveyors, Valuers and Real Estate Consultants.

	2020	2019
	₦'000	₦'000
The fair value hierarchy for the fair valuation of the building is in level 3. If Building was measured using the cost model, the carrying amount would be as follows:		
Cost	**824,000**	824,000
Accumulated depreciation	**(135,263)**	(118,423)
	688,737	705,577

26. Taxation

26.1 Current income tax payable

	2020	2019
At 1 January	**159,455**	108,451
Amounts recorded in the profit or loss (Note 13.1)	**225,012**	117,138
Under-provision for 2019 tax	**21,312**	-
Payments made during the year	**(15,682)**	(66,134)
At 31 December	**390,097**	159,455

26.2 Deferred tax liabilities

	2020	2019
Deferred tax liabilities	**140,408**	207,413

Movement in deferred tax liabilities

	2020	2019
At 1 January	**207,413**	8,922
Amounts recorded in the profit or loss (Note 13.1)	**(137,915)**	198,491
Effect of revaluation of property and equipment (Note 33.4)	**70,910**	-
At 31 December	**140,408**	207,413

Deferred tax liabilities is attributable to the following:

	2020	2019
Property and equipment	**140,408**	121,535
Investment property	**-**	13,738
Unrealised foreign exchange gain	**-**	78,184
ECL on financial assets	**-**	(6,044)
	140,408	207,413

27. Statutory deposit

The statutory deposit of ₦315,000,000 represents the amount deposited with the Central Bank of Nigeria as at 31 December 2020 (31 December 2019: ₦315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. The deposit has been tested for adequacy as at 31 December 2020 and found to be adequate.

Interest income earned at annual average rate of 13.17% per annum (2019 : 13.17%) and this is included within investment income. However, access to the deposit is restricted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
28. Insurance contract liabilities		
Claims reported by policyholders	**1,064,778**	486,604
Claims incurred but not reported (IBNR)	**541,940**	518,128
Outstanding claims provisions (Note 28.1)	**1,606,718**	1,004,732
Unearned premiums (Note 28.3)	**2,155,870**	2,319,273
	3,762,588	3,324,005
Current	**2,802,526**	3,159,179
Non-current	**960,062**	164,826
	3,762,588	3,324,005

The Company engaged Logic Professional Services (FRC/2017/NAS/00000017548) to perform an Insurance liability valuation as at 31 December 2020 for its insurance business.

	2020	2019
28.1 Outstanding claims provisions		
At 1 January	**1,004,732**	934,955
Claims incurred in the current year (Note 7)	**3,502,612**	2,851,882
Claims paid during the year (Note 7)	**(2,900,626)**	(2,782,105)
At 31 December	**1,606,718**	1,004,732

The aging analysis for claims reported and losses adjusted.

	2020	2019
Days		
0 - 90	**55,574**	685
91 - 180	**33,290**	48,907
181 - 270	**10,503**	185,990
271 - 360	**5,349**	86,196
361 and above	**960,062**	164,826
Incurred but not reported (IBNR)	**541,940**	518,128
	1,606,718	1,004,732

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

	2020	2019
Analysis of reported claims per class of insurance		
Motor	**49,782**	25,045
Fire and property	**195,742**	96,472
Marine and aviation	**48,586**	152,636
General accidents	**86,614**	152,711
C.A.R.and engineering	**24,579**	40,940
Energy	**659,475**	18,800
Incurred but not reported (IBNR)	**541,940**	518,128
	1,606,718	1,004,732

	2020	2019
	₦'000	₦'000
28.2 Claims incurred but not reported		
This represents additional provision as a result of actuarial valuation as at year end.		
28.3 The movement in unearned premium during the year		
At 1 January	**2,319,273**	2,153,883
Premiums written in the year (Note 5)	**11,120,684**	10,879,656
Premiums earned during the year (Note 5)	**(11,284,087)**	(10,714,266)
At 31 December	**2,155,870**	2,319,273
29. Borrowings		
Convertible bond (Note 29.1)	**1,250,580**	1,152,429
29.1 Convertible bond		
At 1 January	**1,152,429**	973,360
Interest	**39,080**	164,810
Foreign exchange difference	**59,071**	14,259
At 31 December	**1,250,580**	1,152,429

This represents zero coupon JPY 846,000,000 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 $3.43 million in October 2019 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.

Due to the outbreak of Covid-19 pandemic in December 2019 and the subsequent lockdown of cities/restriction of movements in many countries, the parties to the agreement have not been able to fully execute the agrement. The Board of the Company believes that the Agreement would be fully executed and the terms and conditions would be fulfilled as stated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2,019
	₦'000	₦'000
30. Trade payables		
Deferred commission income (Note 30.1)	**151,840**	253,213
Due to reinsurance companies	**302,153**	457,948
	453,993	711,161
Current	**453,993**	711,161

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.

30.1 Deferred commission income		
At 1 January	**253,213**	154,641
Additions during the year	**914,516**	1,039,563
Credit to profit or loss (Note 6)	**(1,015,889)**	(940,991)
At 31 December	**151,840**	253,213

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

31. Other payables and accruals		
Sundry creditors	**39,500**	13,341
Accrued expenses	**45,660**	13,000
Unclaimed dividends	**46,444**	51,016
Withholding tax payable	**1,380**	-
VAT payable	**13,108**	-
	146,092	77,357
Current	**146,092**	77,357

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

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

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.

	2020	2019
	₦'000	₦'000
Retirement benefit obligation	**-**	-
32.1 Net benefit expense (recognised in statement of profit or loss)		
Interest cost	**-**	-
32.2 Movement of gratuity		
At 1 January	**-**	105,569
Benefits paid	**-**	(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

	2020	2019
	%	**%**
Discount rate	**-**	**-**
Rate of salary increases	**-**	**-**

	2020 ₦'000	2019 ₦'000
The following payments are expected contributions to the defined benefit plan in the future:		
Between 10 and 15 years	**-**	-
Between 15 and 20 years	**-**	-
Between 20 and 25 years	**-**	-
	-	-

33. Equity

33.1 Authorised and Issued and paid-up share capital

	2020 ₦'000	2019 ₦'000
Authorised share capital 15 billion (2019 : 15 billion) units of ordinary share of ₦0.50k each		
At 1 January	**7,500,000**	7,500,000
At 31 December	**7,500,000**	7,500,000

Ordinary shares issued and fully paid

	2020 ₦'000	2019 ₦'000
11,364,466,014 ordinary shares at ₦0.50k each		
At 1 January	**5,682,248**	4,170,412
Increase during the year	**-**	1,511,836
At 31 December	**5,682,248**	5,682,248

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 in 2019.

33.2 Share premium

	2020 ₦'000	2019 ₦'000
At 1 January	**74,057**	116,843
Capital raising expenses	**-**	(42,786)
At 31 December	**74,057**	74,057

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000
33.3 Contingency reserve		
At 1 January	**2,974,378**	2,647,988
Transfer from profit or loss	**333,621**	326,390
At 31 December	**3,307,999**	2,974,378

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.

	2020	2019
At 1 January	**225,103**	225,103
Revaluation gain during the year	**236,367**	-
Effect of deferred tax (Note 26.2)	**(70,910)**	-
At 31 December	**390,560**	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.

	2020	2019
At 1 January	**14,213**	20,394
Revaluation loss during the year	**(13,662)**	(6,181)
At 31 December	**551**	14,213

	2020	2019
33.6 Accumulated losses		
At 1 January	**(1,183,394)**	(1,360,385)
Profit or loss for the year	**687,698**	503,381
Transfer from profit or loss	**(333,621)**	(326,390)
At 31 December	**(829,317)**	(1,183,394)

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

	2020	2019
Cash and cash equivalents (Note 15a)	**7,285,691**	7,151,430
Short term investments over 91 days	**(554,150)**	-
Cash and cash equivalents	**6,731,541**	7,151,430

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 ₦'000	2019 ₦'000
35. Reconciliation of profit before tax to cash flows provided by operating activities:			
Profit before income tax		**796,107**	819,010
Adjustments for non-cash items:			
Fair value (gain)/loss on quoted equities	16.3	**(86,296)**	12,480
Interest on borrowing	29	**39,080**	164,810
Interest expense on lease liabilities		**379**	-
Depreciation of property, plant and equipment	24	**141,263**	154,600
Amortisation of intangible assets	22	**5,160**	6,116
Realised gain on equities		**(26,553)**	(9,075)
Fair value gain on investment properties	21	**(30,315)**	(45,796)
Share of profit in associate	20.1	**(3,886)**	(6,492)
Credit loss expense/(reversal)	12	**18,064**	(14,257)
Foreign exchange gain on cash and cash equivalents	10	**-**	(260,613)
Unrealised exchange loss on foreign borrowing	29	**59,071**	14,259
Cash flow from operating profit before changes in operating assets and liabilities		**912,074**	835,042
Changes in operating assets and liabilities			
Decrease/(increase) in trade receivables		**(216,685)**	(156,348)
Increase in reinsurance assets		**(672,350)**	(149,163)
Decrease/(increase) in other receivables and prepayments		**16,608**	(10,182)
Decrease/(increase) in deferred acquisition costs		**27,244**	(100,285)
Decrease in trade payables		**(257,168)**	(47,920)
Increase/(decrease) in other payables and accruals		**68,735**	(51,553)
Increase/(decrease) in outstanding claims		**601,986**	69,777
(Decrease)/increase in unearned premium		**(163,403)**	165,390
Gratuity paid		**-**	(105,569)
Income tax paid		**(15,682)**	(66,134)
Net cash flows from operating activities		**301,359**	383,055

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	₦'000	₦'000

36. Reclassification

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

37. Employees and Directors

37.1 Employees

37.1.1 Compenstation for the staff are as follows:

	2020 ₦'000	2019 ₦'000
Wages and salaries	**71,284**	128,459
Defined contribution pension	**37,025**	60,270
	108,309	188,729

37.1.2 Average number of persons employed during the year by category:

	Number	**Number**
Executive directors	**3**	3
Management	**17**	20
Non-management	**137**	153
	157	176

37.1.3 Number of employees whose emoluments during the year, fell within the ranges shown below:

	2020	2019
Less than N500,000	**-**	-
N500,000 – N1,000,000	**13**	17
N1,000,000 and above	**144**	159
	157	176

37.2 Directors

37.2.1 Directors' emoluments:

The remuneration paid to directors are as follows:

	₦'000	₦'000
Executive compensation	**65,262**	80,171
Fees and sitting allowances	**15,922**	14,475
	81,184	94,646

Fees and other emoluments disclosed above include amounts paid to:

	2020	2019
The Chairman	**800**	800
The highest paid director	**25,486**	29,188

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

	Number	Number
Below ₦2,000,000	**-**	-
₦2,000,000 - ₦4,000,000	**-**	-
Above ₦5,000,000	**8**	10

38. Related party disclosures

38.1 Related party

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly, jointly controlled, or significantly influenced or managed by a person who is a related party.

38.2 Related parties transactions

A **related party transaction i**s a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. If an entity has had related party transactions during the periods covered by the financial statements, IAS 24 requires it to disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

38.2.1 Transactions with related parties

Transactions/balances with related parties during the year are:

Name of related party	Relationship	Nature of transaction	Amount/Balance	
			2020	2019
			₦'000	₦'000
STI Leasing Ltd	Associate	Fund placement	**150,973**	199,461

These transactions were carried out in ordinary course of business at arm's length.

38.3 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the company, directly or indirectly, including any directors (whether executive or otherwise).

Mr. Oluseun O. Ajayi	-	Non-Executive Director
Mr. Olaotan Soyinka	-	Executive Director
Mrs. Ugochi Odemelam	-	Executive Director
Ms. Emi Faloughi	-	Non-Executive Director
Mr. Abimbola Oguntade	-	Non-Executive Director
Mr. Odoh S. Chidozie	-	Non-Executive Director
Mr. Jude Modilim	-	Executive Director
Col. Musa Shehu (Rtd), OFR	-	Non-Executive Director
Mr. Kayode Adigun	-	General Manager
Mr. Sanni Oladimeji	-	Deputy General Manager
Mr. Emmanuel Anikibe	-	Deputy General Manager
Mr. Olusegun Bankole	-	Deputy General Manager

	2020	2019
	₦'000	₦'000
38.3.1 Compensation of key management personnel		
Short term employee benefits	**132,819**	101,721
Post employment pension benefits	**6,637**	4,646
Total compensation of key management personnel	**139,456**	106,367

39. Risk management framework

39.1 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.

39.2 Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach:

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.

	2020	2,019
	₦'000	₦'000
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	**8,626,099**	7,786,606
Regulatory adjustments	**-**	(1,094,881)
Available capital resources	**8,626,099**	6,691,725
Minumum capital based required by regulator	**3,000,000**	3,000,000
Excess in solvency margin	**5,626,099**	3,691,725

The regulatory adjustments represent assets inadmissible for regulatory reporting purpose. However, current year available capital resources are subject to Regulator's review and approval.

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

39.3 The Solvency Margin for the Company as at 31 December 2020 is as follows:

	Admissible	Inadmissible	Total	2019
	₦'000	₦'000	₦'000	₦'000
Admissible assets				
Cash and cash equivalents	7,274,017	-	7,274,017	7,141,882
Fair value through profit and loss	421,473	-	421,473	160,821
Equity instrument at fair value through other comprehensive	44,519	-	44,519	58,181
Debt securities at amortised cost	99,141	-	99,141	188,286
Trade receivables	747,407	-	747,407	536,980
Reinsurance assets	2,684,186	-	2,684,186	2,021,507
Deferred acquisition cost	299,934	-	299,934	327,178
Other receivables and prepayments	8,876	218,279	227,155	15,808
Investments in associates	91,812	-	91,812	87,926
Investment properties	1,000,000	13,643	1,013,643	973,328
Intangible assets	2,763	-	2,763	6,123
Property, plant and equipment	244,775	1,304,411	1,549,186	283,112
Statutory deposits	315,000	-	315,000	315,000
	13,233,903	1,536,333	14,770,236	12,116,132
Admissible liabilities				
Insurance liabilities	3,762,588	-	3,762,588	3,324,005
Borrowing	1,250,580	-	1,250,580	1,152,429
Trade payables	453,993	-	453,993	711,161
Other payables and accruals	146,092	-	146,092	77,357
Current income tax payable	390,097	-	390,097	159,455
Deferred tax liabilities	-	140,408	140,408	-
	6,003,350	140,408	6,143,758	5,424,407
Solvency margin	7,230,553			6,691,725
Minimum solvency required	3,000,000			3,000,000
Surplus	**4,230,553**			**3,691,725**
Solvency ratio (%)	2.41			2.23

39.4 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.

39.5 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.

39.6 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.

39.6 Insurance risk - cont'd

39.6.1 Claims Paid Triangulations as at 31 December 2020

	1	2	3	4	5	6	7	8	9
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
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	732	-	-	-
2016	339,042	119,370	12,595	5,885	5,181	-	-	-	-
2017	400,840	144,144	2,767	8,216	-	-	-	-	-
2018	409,781	135,009	11,587	-	-	-	-	-	-
2019	393,003	215,790	-	-	-	-	-	-	-
2020	706,511	-	-	-	-	-	-	-	-
Fire									
Accident Year									
2007	23,548	38,469	39,019	39,514	39,923	39,941	39,941	39,941	39,941
2008	145,426	170,830	190,167	191,584	191,860	194,210	194,210	194,210	194,210
2009	38,671	68,699	75,794	92,924	94,057	94,057	95,409	95,409	95,409
2010	48,683	218,708	233,350	233,519	233,923	233,993	233,993	233,993	233,993
2011	40,147	128,001	142,688	142,984	144,674	144,674	145,217	145,832	146,273
2012	34,801	106,650	109,959	111,144	111,236	111,267	111,267	111,267	111,267
2013	96,493	124,882	149,546	149,591	158,579	158,579	158,579	158,579	-
2014	269,309	478,403	478,409	507,012	508,521	508,538	508,538	-	-
2015	99,928	290,502	374,472	379,019	379,202	379,202	-	-	-
2016	139,327	341,782	370,209	373,363	376,389	-	-	-	-
2017	318,536	627,880	947,130	969,711	-	-	-	-	-
2018	319,792	588,777	623,135	-	-	-	-	-	-
2019	340,005	657,539	-	-	-	-	-	-	-
2020	185,331	-	-	-	-	-	-	-	-
Oil and gas									
Accident Year									
2007	-	-	-	-	-	-	-	-	-
2008	-	-	429	-	-	541	-	-	-
2009	-	112,508	28,416	24,800	8,674	-	3,736	-	-
2010	1,155	29,201	98,043	262,355	-	1,396	-	-	1,041
2011	-	44,144	55,006	140	11,666	-	462	156	-
2012	-	224,059	347	171,746	-	2,496	93,010	-	19,516
2013	93,898	15,617	13,978	-	62,077	61,564	-	789	-
2014	540,525	31,335	-	525	566	-	376	-	-
2015	6,491	83,183	3,020	990	353,587	881	-	-	-
2016	39,047	134,108	22,062	10,853	798	-	-	-	-
2017	233,037	1,977,079	221,626	700,666	-	-	-	-	-
2018	3,155	115,874	62,633	-	-	-	-	-	-
2019	-	629	-	-	-	-	-	-	-
2020	15,876	-	-	-	-	-	-	-	-

39.6 Insurance risk - cont'd

39.6.1 Claims Paid Triangulations as at 31 December 2020

	1	2	3	4	5	6	7	8	9
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
General accident									
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	589
2013	62,941	23,864	19,583	-	1,522	978	77	25	-
2014	193,012	103,077	-	15,204	2,295	467	861	-	-
2015	96,443	208,591	15,673	45,911	3,007	162	-	-	-
2016	129,179	97,502	15,083	2,091	5,792	-	-	-	-
2017	73,628	121,245	41,278	10,776	-	-	-	-	-
2018	14,382	113,797	18,588	-	-	-	-	-	-
2019	78,988	121,916	-	-	-	-	-	-	-
2020	76,967	-	-	-	-	-	-	-	-
Engineering									
Accident Year									
2007	8,083	15,041	18,933	19,138	19,138	19,138	19,138	19,138	19,138
2008	6,219	19,685	19,685	19,685	19,685	19,685	19,685	19,685	19,685
2009	4,035	10,383	10,807	11,323	11,854	11,854	11,911	12,580	12,580
2010	14,206	40,635	42,472	43,666	43,779	43,779	43,779	43,779	43,779
2011	33,165	66,255	86,187	86,235	86,254	86,254	86,326	86,326	86,326
2012	41,347	62,038	62,381	62,429	62,429	62,429	62,429	62,429	62,429
2013	3,266	9,457	15,650	15,650	15,650	15,856	16,074	16,074	-
2014	14,750	33,911	33,911	34,311	34,318	34,318	34,318	-	-
2015	8,635	26,984	30,438	33,325	33,354	33,354	-	-	-
2016	14,981	43,500	44,287	44,518	44,518	-	-	-	-
2017	10,823	35,901	35,901	37,939	-	-	-	-	-
2018	12,771	48,944	49,521	-	-	-	-	-	-
2019	20,038	67,385	-	-	-	-	-	-	-
2020	16,498	-	-	-	-	-	-	-	-

Claims Paid Triangulations as at 31 December 2020

	1	2	3	4	5	6	7	8	9
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Marine									
Accident Year									
2007	12,088	28,812	7,825	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	3,072	-	-	-	-
2017	36,911	273,961	84,380	-	-	-	-	-	-
2018	160,327	120,653	25,029	-	-	-	-	-	-
2019	65,053	191,139	-	-	-	-	-	-	-
2020	65,378	-	-	-	-	-	-	-	-

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

	2020			2019		
	Gross liabilities ₦'000	**Reinsurance share of laibilities ₦'000**	**Net liabilities ₦'000**	Gross laibilities ₦'000	Reinsurance share of laibilities ₦'000	Net liabilities ₦'000
Accident	149,782	(96,957)	52,825	221,879	(147,932)	73,947
Engineering	123,743	(70,842)	52,901	93,944	(51,689)	42,255
Fire	315,921	(273,915)	42,006	228,322	(176,866)	51,456
Marine	218,372	(103,564)	114,808	199,758	(122,243)	77,515
Motor	90,018	-	90,018	93,651	-	93,651
Oil & Gas	708,882	(640,533)	68,349	167,178	-	167,178
	1,606,718	(1,185,811)	420,907	1,004,732	(498,730)	506,002

39.7 Financial risks
39.7.1 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:

- 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.

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

- 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.

- 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.

- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Credit exposure
The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2020 and 2019 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.

	Financial services	Govern-ment	Others	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Industry analysis				
At 31 December 2020				
Debt securities (Loans)	-	-	7,694	**7,694**
Other receivables	-	-	198,967	**198,967**
Statutory deposit	-	315,000	-	**315,000**
Debt securities (Bonds)	35,991	62,672	-	**98,663**
	35,991	377,672	206,661	**620,324**
Trade receivables	747,407	-	-	**747,407**
Cash and cash equivalents	7,285,691	-	-	**7,285,691**
	8,069,089	377,672	206,661	**8,653,422**
At 31 December 2019				
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

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				
	Investment grade ₦'000	Non-investment grade satisfactory ₦'000	Non-investment grade unsatis-factory ₦'000	Past due but not impaired ₦'000	Total ₦'000
At 31 December 2020					
Other receivables	-	198,967	-	-	198,967
Statutory deposit	315,000	-	-	-	315,000
Debt securities	106,357	-	-	-	106,357
Trade receivables	747,407	-	-	-	747,407
Cash and cash equivalents	7,285,691	-	-	-	7,285,691
	8,454,455	198,967	-	-	8,653,422
As 31 December 2019					
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

Age analysis of financial assets past due but not impaired

	<30 Days ₦'000	31 to 60 days ₦'000	61 to 90 days ₦'000	Total past due but not impaired ₦'000
At 31 December 2020				
Trade receivables	747,407	-	-	747,407
	747,407	-	-	747,407
At 31 December 2019				
Trade receivables	536,980	-	-	536,980
	536,980	-	-	536,980

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.

39.7.2 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:

- 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.
- 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.
- 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.

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.

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Maturity analysis (contractual undiscounted cash flows basis)

	Carrying amount	Up to 1 year	1-3 years	3-5 years	Over 5 years	No maturity date	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 31 December 2020							
Financial assets:							
Other receivables	198,967	198,967	-	-	-	-	198,967
Debt securities at amortised cost	-	106,357	-	-	-	-	106,357
Statutory deposit	315,000	-	-	-	-	315,000	315,000
Trade receivables	747,407	747,407	-	-	-	-	747,407
Cash and cash equivalents	7,274,017	7,274,017	-	-	-	-	7,274,017
Total financial assets	8,535,391	8,326,748	-	-	-	315,000	8,641,748
Financial liabilities							
Insurance contract liabilities	3,762,588	3,762,588	-	-	-	-	3,762,588
Borrowing	1,250,580	-	1,250,580	-	-	-	1,250,580
Trade payables	453,993	453,993	-	-	-	-	453,993
Other payables	146,092	146,092	-	-	-	-	146,092
Total financial liabilities	5,613,253	4,362,673	1,250,580	-	-	-	5,613,253
Total liquidity gap	2,922,138	3,964,075	(1,250,580)	-	-	315,000	3,028,495

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Maturity analysis (contractual undiscounted cash flows basis) (Cont'd)

	Carrying amount	Up to 1 year	1 - 3 years	3-5 years	Over 5 years	No maturity date	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 31 December 2019							
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
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

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The table below summarises the expected utlisation or settlement of assets and liabilities.

	31 December 2020			31 December 2019		
	Current ₦'000	Non-current ₦'000	Total ₦'000	Current ₦'000	Non-current ₦'000	Total ₦'000
Assets						
Cash and cash equivalents	7,274,017	-	7,274,017	7,141,882	-	7,141,882
Investment securities	565,133	-	565,133	407,288	-	407,288
Trade receivables	747,407	-	747,407	536,980	-	536,980
Reinsurance assets	2,684,186	-	2,684,186	2,021,507	-	2,021,507
Deferred acquisition costs	299,934	-	299,934	327,178	-	327,178
Other receivables and prepayments	227,155	-	227,155	275,062	-	275,062
Investment in associate	-	91,812	91,812	-	87,926	87,926
Investment properties	-	1,013,643	1,013,643	-	973,328	973,328
Intangible assets	-	2,763	2,763	-	6,123	6,123
Right of use assets	-	63,000	63,000	-	-	-
Property and equipment	-	1,549,186	1,549,186	-	1,326,152	1,326,152
Statutory deposit	-	315,000	315,000	-	315,000	315,000
Total assets	11,797,832	3,035,404	14,833,236	10,709,897	2,708,529	13,418,426
Liabilities						
Insurance contract liabilities	3,762,588	-	3,762,588	3,324,005	-	3,324,005
Borrowing	1,250,580	-	1,250,580	901,275	251,154	1,152,429
Trade payables	453,993	-	453,993	711,161	-	711,161
Other payables and accruals	146,092	-	146,092	77,357	-	77,357
Lease liabilities	-	63,379	63,379	-	-	-
Current income tax payable	390,097	-	390,097	159,455	-	159,455
Deferred tax liabilities	-	140,408	140,408	-	207,413	207,413
Total liabilities	6,003,350	251,154	6,207,137	5,173,253	251,154	5,631,820

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

39.7.3 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:

39.7.3.1 Foreign exchange currency risk

The company 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 Company's transactions are carried out majorly in four (4) foreign currencies with a significant percentage of transactions involving US Dollars. The Company uses the average Central Bank exchange rate for each foreign currency to value assets and liabilities denominated in foreign currencies. The carrying amounts of the company's foreign currency-denominated balances as at end of the year are as follows:

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2020 and 2019. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

	2020				
	Naira	Dollars	Pounds	Euros	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Assets					
Cash and cash equivalents	5,526,273	1,745,385	1,281	1,078	7,274,017
Investment securities	565,133	-	-	-	565,133
Trade receivables	747,407	-	-	-	747,407
Reinsurance assets	2,684,186	-	-	-	2,684,186
Other receivables	198,173	-	-	-	198,173
Total assets	**9,721,172**	**1,745,385**	**1,281**	**1,078**	**11,468,916**
Liabilities					
Insurance contract liabilities	3,762,588	-	-	-	3,762,588
Borrowings	-	1,250,580	-	-	1,250,580
Trade payables	453,993	-	-	-	453,993
Other payables	100,432	-	-	-	100,432
Total liabilities	**4,317,013**	**1,250,580**	**-**	**-**	**5,567,593**
Net exposure	**5,404,159**	**494,805**	**1,281**	**1,078**	**5,901,323**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2019				
	Naira	Dollars	Pounds	Euros	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Assets					
Cash and cash equivalents	5,536,196	1,590,168	1,358	14,160	7,141,882
Investment securities	407,288	-	-	-	407,288
Trade receivables	536,980	-	-	-	536,980
Reinsurance assets	2,021,507	-	-	-	2,021,507
Other receivables	236,404	-	-	-	236,404
Total assets	8,738,375	1,590,168	1,358	14,160	10,344,061
Liabilities					
Insurance contract liabilities	3,324,005	-	-	-	3,324,005
Borrowings	-	1,152,429	-	-	1,152,429
Trade payables	711,161	-	-	-	711,161
Other payables	64,357	-	-	-	64,357
Total liabilities	4,099,523	1,152,429	-	-	5,251,952
Net exposure	4,638,852	437,739	1,358	14,160	5,092,109

Movement in exchange rate between the foreign currencies, and the Nigerian Naira affects reported profit before tax through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.

The table below shows the impact on the Company's statement of profit or loss and statement of financial position size if the exchange rate between the foreign currencies, and Nigerian Naira had increased or decreased by 8% (31 December 2019: 10%) with all other variables held constant.

Foreign currencies effect of 8% (31 December 2019: 10%) up or (down) movement on profit before tax and statement of financial position size (in thousands of Naira)

	2020	2019	2020	2019
	Change in variable		₦'000	₦'000
Dollars	8%	10%	39,584	43,774
Pounds	8%	10%	102	136
Euros	8%	10%	86	1,416
Dollars	-8%	-10%	(39,584)	(43,774)
Pounds	-8%	-10%	(102)	(136)
Euros	-8%	-10%	(86)	(1,416)

39.7.3.2 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 not expose to cash flow interest risk.

The Company has no significant concentration of interest rate risk.

39.7.3.3 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 is exposed to equity price risk as a result of holding quoted and non-quoted equity investments that present the Company with opportunity for return through dividend income and capital appreciation.

The unqouted securities represents the Company's holdings in Waica Reinsurance Corporation and Interconnect Clearinghouse Nigeria Limited

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact up or (down) on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss and statement of financial position)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

			2020		2019	
	Change in variable		Impact on profit before tax ₦'000	Impact on equity (OCI) ₦'000	Impact on profit before tax ₦'000	Impact on equity (OCI) ₦'000
FVTPL	1%	5%	4,215	-	8,041	-
	-1%	-5%	(4,215)	-	(8,041)	-
FVTOCI	1%	5%	-	445	-	2,909
	-1%	-5%	-	(445)	-	(2,909)

39.7.4 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:

	2020			2019		
	Gross liabilities ₦'000	Re-insurance share of liabilities ₦'000	Net liabilities ₦'000	Gross liabilities ₦'000	Re-insurance share of liabilities ₦'000	Net liabilities ₦'000
Accident	149,782	(96,957)	52,825	221,879	(147,932)	73,947
Engineering	123,743	(70,842)	52,901	93,944	(51,689)	42,255
Fire	315,921	(273,915)	42,006	228,322	(176,866)	51,456
Marine	218,372	(103,564)	114,808	199,758	(122,243)	77,515
Motor	90,018	-	90,018	93,651	-	93,651
Oil & Gas	708,882	(640,533)	68,349	167,178	-	167,178
	1,606,718	(1,185,811)	420,907	1,004,732	(498,730)	506,002

39.8 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 mpact 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.

		2020			2019		
	Change in assumptions	**Impact on gross liabilities ₦'000**	**Impact on net liabilities ₦'000**	**Impact on profit before tax ₦'000**	Impact on gross liabilities ₦'000	Impact on net liabilities ₦'000	Impact on profit before tax ₦'000
Loss percentage	+5%	80,336	21,045	(59,291)	50,237	24,937	(25,300)
Loss percentage	-5%	(80,336)	(21,045)	59,291	(50,237)	(24,937)	25,300
Inflation rate	+1%	16,067	4,209	(11,858)	10,047	4,987	(5,060)
Inflation rate	-1%	(16,067)	(4,209)	11,858	(10,047)	(4,987)	5,060
Discount rate	+1%	16,067	4,209	(11,858)	10,047	4,987	(5,060)
Discount rate	-1%	(16,067)	(4,209)	11,858	(10,047)	(4,987)	5,060

40. Admissible assets

The admissible assets representing insurance funds are included in the statement of financial position as follows:

Total assets representing insurance funds

	2020			2019
	Carrying amount	**Policy-holders funds**	**Total**	
	₦'000	**₦'000**	**₦'000**	**₦'000**
Insurance contract liabilities	3,762,588	3,762,588	3,762,588	3,324,005
Gross insurance fund	3,762,588	3,762,588	3,762,588	3,324,005
Deduct:				
Reinsurance assets	(2,684,186)	(2,684,186)	(2,684,186)	(2,021,507)
Net insurance fund	1,078,402	1,078,402	1,078,402	1,302,498
Represented by:				
Cash and cash equivalents:				
- Cash in bank	2,897,737	2,897,737	2,897,737	1,974,881
- Short term deposits	4,387,954	4,387,954	4,387,954	5,167,001
Equity instruments at fair value through profit or loss	421,473	421,473	421,473	160,821
Equity instrument at fair value through other comprehensive income	44,519	44,519	44,519	58,181
Debt securities at amortised cost	99,141	99,141	99,141	188,286
Total admissible assets	7,850,824	7,850,824	7,850,824	7,549,170
Surplus	6,772,422	6,772,422	6,772,422	6,246,672

41. Segment information

For the year ended 31 December 2020	Motor ₦'000	Fire and property ₦'000	General accident ₦'000	Marine and aviation ₦'000	Oil and gas ₦'000	Car and engineering ₦'000	Total ₦'000
Gross premium written	2,103,120	1,672,083	841,103	944,035	3,991,247	1,527,818	11,079,406
Reinsurance inward	1,555	18,955	9,260	11,188	320	-	41,278
Changes in unexpired premium	(458,742)	309,846	14,382	(17,843)	68,719	247,041	163,403
Gross premium earned	1,645,933	2,000,884	864,745	937,380	4,060,286	1,774,859	11,284,087
Outward re-insurance premium	-	(389)	-	-	(2,787,593)	(3,188)	(2,791,170)
Treaty cession	-	(561,367)	(495,491)	(515,473)	-	(363,947)	(1,936,278)
Changes in unexpired outward premium	(8,927)	(23,005)	4,579	50,688	136,979	(175,045)	(14,731)
Net premium earned	1,637,006	1,416,123	373,833	472,595	1,409,672	1,232,679	6,541,908
Commission received	-	138,250	144,068	157,019	514,831	61,721	1,015,889
Total underwriting income	1,637,006	1,554,373	517,901	629,614	1,924,503	1,294,400	7,557,797
Gross claims paid	948,017	562,830	236,334	284,618	802,366	66,461	2,900,626
Gross liabilities at 31 December 2020	90,018	315,921	149,782	218,372	708,882	123,743	1,606,718
	1,038,035	878,751	386,116	502,990	1,511,248	190,204	4,507,344
Gross liabilities at 1 January 2020	(93,651)	(228,322)	(221,879)	(199,757)	(167,179)	(93,944)	(1,004,732)
Gross claim incurred	944,384	650,429	164,237	303,233	1,344,069	96,260	3,502,612
Reinsurance recoveries	-	87,282	54,569	64,548	481,200	16,317	703,916
Due from re-insurers at 31 December 2020	-	(273,915)	(96,957)	(103,564)	(640,533)	(70,842)	(1,185,811)
	-	(186,633)	(42,388)	(39,016)	(159,333)	(54,525)	(481,895)
Due from re-insurers at 1 January 2020	-	176,866	147,932	122,243	-	51,689	498,730
Gross recoveries	-	(9,767)	105,544	83,227	(159,333)	(2,836)	16,835
Net benefits and claims	944,384	660,196	58,693	220,006	1,503,402	99,096	3,485,777
Net income	692,622	894,177	459,208	409,608	421,101	1,195,304	4,072,020
Underwriting expenses							
Amortised deferred acquisition costs	(192,730)	(417,243)	(168,629)	(218,597)	(95,562)	(311,251)	(1,404,012)
Other underwriting expenses	(95,805)	(96,692)	(106,996)	(96,386)	(79,586)	(201,290)	(676,755)
	(288,535)	(513,935)	(275,625)	(314,983)	(175,148)	(512,541)	(2,080,767)
Underwriting profit	404,087	380,242	183,583	94,625	245,953	682,763	1,991,253

	Motor ₦'000	Fire and property ₦'000	General accident ₦'000	Marine and aviation ₦'000	Oil and gas ₦'000	Car and engineering ₦'000	Total ₦'000
41. Segment information (Cont'd)							
For the year ended 31 December 2019							
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	2,782,107
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	3,786,839
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	2,851,884
Reinsurance recoveries	-	295,365	106,216	97,176	11,146	3,933	513,836
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	1,012,566
Due from re-insurers at 1 January 2019	-	(161,065)	(81,245)	(81,493)	-	(46,012)	(369,815)
Gross recoveries	-	311,166	172,903	137,926	11,146	9,610	642,751
Net benefits and claims	521,638	627,210	126,395	220,199	682,970	30,721	2,209,133
Net income	1,795,256	630,676	400,366	294,311	771,551	789,951	4,682,111
Underwriting expenses							
Amortised deferred acquisition costs	(259,359)	(385,329)	(169,591)	(165,658)	(83,298)	(204,320)	(1,267,555)
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)	(2,608,724)
Underwriting profit	1,204,043	34,025	54,330	47,095	407,926	325,968	2,073,387

42. Contraventions

There was no penalty paid in the current year and no other contravention occurred during the year.

43. Events after the reporting date

There are no events after reproting date which could have a material effect on the financial statements of the Company as at 31 December 2020 or the financial performance for the year ended that have not been adequately provided for or disclosed.

44. Contingencies and commitments

44.1 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.

44.2 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.

Future minimum lease rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2020	2019
	₦'000	₦'000
Within one year	**-**	-
After one year but not more than five years	**-**	-
	-	-

45. Material disclosure on the impact of COVID-19

The COVID-19 pandemic which started in China in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread the virus, the Federal Government of Nigeria imposed movement restrictions while various state governments established protocols to combat the spread of the virus.

In adapting to the government's response to COVID-19, the Company responded appropriately by activating its Business Continuity Plan to ensure continuous service to customers and safety of employees and other stakeholders. This was mostly achieved through the deployment of necessary secured technology for remote working and the observance of universally accepted Covid 19 protocols.

Impact of COVID-19 on Impairment (Expected Credit Loss) of Financial Assets

The Company does not see a significant impairment impact on its financial assets as a result of COVID-19. The Company's financial assets are predominantly cash and cash equivalents in nature and are subsequently classified as stage 1. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating, inflation and oil price. Whilst COVID-19 could ptentially negatively impact all of the forward looking information, other variables in the computation ensured that the impact remains minimal.

Going Concern Assessment

The Company will continue to assess the status of the fight against the pandemic and its impact on the Company's business. However, based on current assessment and result for the year just concluded, the Directors are confident that the Going Concern of the Comapny will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

OTHER NATIONAL DISCLOSURES

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020		'2019	
	₦'000	**%**	₦'000	%
Gross premium written	**11,120,684**		10,879,656	
Net claims expenses	**(3,485,778)**		(2,209,130)	
Premium ceded to reinsurance	**(4,742,179)**		(4,764,013)	
Other charges and expenses	**(2,254,043)**		(2,996,080)	
Fees and commission	**1,015,889**		940,991	
Investment income	**448,197**		405,797	
Value added	**2,102,770**	**100**	2,257,221	100
Applied as follow:				
In payment to employees				
Employee benefits expense	**826,619**	**39**	951,104	42
In payment to Government				-
As taxes	**108,409**	**5**	315,629	14
Retained in the business				
Depreciation	**141,263**	**7**	154,600	7
Amortization	**5,160**	**-**	6,116	
Contingency reserve	**333,621**	**16**	326,390	14
Profit for the year	**687,698**	**33**	503,382	22
Value added	**2,102,770**	**100**	2,257,221	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.

SOVEREIGN TRUST INSURANCE PLC

FIVE-YEAR FINANCIAL SUMMARY

31 DECEMBER	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Statement of financial position					
Assets					
Cash and cash equivalents	**7,274,017**	7,141,882	5,241,513	3,400,291	3,015,331
Investment securities	**565,133**	407,288	499,471	975,422	562,846
Trade receivables	**747,407**	536,980	380,632	329,648	308,428
Reinsurance assets	**2,684,186**	2,021,507	1,872,344	2,500,761	1,733,315
Other receivables and prepayments	**227,155**	275,062	94,584	100,455	39,006
Investment in associate	**91,812**	87,926	81,434	71,178	66,857
Investment properties	**1,013,643**	973,328	1,128,638	1,161,581	1,181,454
Intangible assets	**2,763**	6,123	12,239	15,505	20,792
Deferred acquisition costs	**299,934**	327,178	226,893	439,068	496,295
Right of use assets	**63,000**	-	-	-	-
Property and equipment	**1,549,186**	1,326,152	1,468,679	1,386,862	1,620,472
Deferred tax assets	**-**	-	-	121,904	151,764
Statutory deposit	**315,000**	315,000	315,000	315,000	315,000
Total assets	**14,833,236**	13,418,426	11,321,427	10,817,675	9,511,560
Liabilities and equity					
Liabilities					
Insurance contract liabilities	**3,762,588**	3,324,005	3,088,838	3,260,519	2,838,600
Borrowing	**1,250,580**	1,152,429	973,360	861,919	750,456
Bank overdrafts	**-**	-	327,941	78,897	108,641
Trade payables	**453,993**	711,161	759,081	710,333	225,953
Other payables and accruals	**146,092**	77,357	128,910	180,132	121,918
Lease liabilities	**63,379**	-	-	-	-
Current income tax payable	**390,097**	159,455	108,451	71,739	46,158
Retirement benefit obligation	**-**	-	105,569	182,232	184,406
Deferred tax liabilities	**140,408**	207,413	8,922	-	-
Total liabilities	**6,207,137**	5,631,820	5,501,072	5,345,771	4,276,132
Equity					
Issued and paid-up share capital	**5,682,248**	5,682,248	4,170,412	4,170,412	4,170,412
Share premium	**74,057**	74,057	116,843	116,843	116,843
Contingency reserve	**3,307,999**	2,974,378	2,647,988	2,332,596	2,077,191
Revaluation reserve	**390,560**	225,103	225,103	225,103	175,288
Fair value reserve	**551**	14,213	20,394	4,949	(3,984)
Accumulated losses	**(829,316)**	(1,183,393)	(1,360,385)	(1,377,999)	(1,300,322)
Total equity	**8,626,099**	7,786,606	5,820,355	5,471,904	5,235,428
Total liabilities and equity	**14,833,236**	13,418,426	11,321,427	10,817,675	9,511,560
Statement of profit or loss					
Gross premium written	**11,120,684**	10,879,656	10,513,078	8,513,503	6,399,854
Gross premium earned	**11,284,087**	10,714,266	10,338,077	8,300,968	6,763,129
Profit before income tax	**796,107**	819,011	540,554	202,694	44,975
Profit after income tax	**687,698**	503,382	344,236	157,869	23,592
Per 50k share data (kobo)					
Earnings per share - basic & diluted	**8.00**	5.86	4.13	1.89	0.28