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SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
31 DECEMBER 2021

SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS **PAGE**

SOVEREIGN TRUST INSURANCE PLC

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

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
	Mr. Eric Balogun	Independent Director
	Col. Shehu Musa	Independent Director
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 2021

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 2021

	2021 **₦'000**	2020 ₦'000	**% Change**
Statement of profit or loss and other comprehensive income			
Gross premium written	**12,718,526**	11,120,684	14%
Net premium income	**7,276,340**	6,541,908	11%
Net claims expenses	**(3,169,009)**	(3,485,778)	-9%
Profit before income tax	**885,757**	796,108	11%
Profit after income tax	**974,734**	687,699	42%
Statement of financial position			
Total assets	**16,397,414**	14,833,238	11%
Total liabilities	**6,780,185**	6,207,140	9%
Total equity	**9,617,229**	8,626,099	11%
Insurance contract liabilities	**3,961,511**	3,762,566	5%
Per share data:			
Basic earnings per share (kobo)	**11.34**	8.00	42%

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

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.

	2021	2020
	₦'000	₦'000
2. OPERATING RESULTS		
Gross premium written	**12,718,526**	11,120,684
Net premium income	**7,276,340**	6,541,908
Net claims expenses	**(3,169,009)**	(3,485,778)
Profit before income tax	**885,757**	796,108
Income tax expense	**88,977**	(108,409)
Profit after income tax	**974,734**	687,699

3. DIVIDEND

No dividend is proposed in respect of the current year (2020 : 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 2021

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
Mr. Eric Balogun	-	Independent Director

6. DIRECTORS' INTERESTS.

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

Name	**Number of direct Ordinary Shares held in 2021**	**Number of indirect Ordinary Shares held in 2021**	**Total 31 Dec 2021**	Total 31 Dec 2020	**Indirect Representation on the Board**
Mr. Oluseun O. Ajayi	666,156,859	995,100,018	1,661,256,877	1,661,256,877	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
Mr. Abimbola Oguntunde	335,414	-	335,414	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	4,000,000	-	4,000,000	3,308,985	-
Col. Musa Shehu (Rtd), OFR	-	-	-	-	-
Mr. Eric Balogun	-	-	-	-	-

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,Laws of the Federation Nigeria 2020 of any disclosable interests in contracts in which the Company was involved as at 31 December 2021.

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 2021

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 2021 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 2021 is as follows:

Range	No. of Holders	Percent	Unit	Percent
1 - 1,000	1,139	12%	508,136	0%
1,001 - 5,000	1,730	19%	5,117,184	0%
5,001 - 10,000	1,055	11%	7,905,458	0%
10,001 - 50,000	2,791	30%	70,346,144	1%
50,001 - 100,000	952	10%	68,557,832	1%
100,001 - 500,000	1,151	12%	240,404,852	2%
500,001 - 1,000,000	199	2%	149,301,163	1%
1,000,0001 - 5,000,000	204	2%	430,844,892	4%
5,000,001 - 10,000,000	36	0%	263,589,448	2%
10,000,001 - Above	60	1%	10,127,890,905	89%
Total	**9,317**	**100%**	**11,364,466,014**	**100%**

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

Substantial interest in shares

According to the register of members at 31 December 2021, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

	2021		2020	
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%	995,100,018	8.76%
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%	4,798,254,738	42.22%
Total	**11,364,466,014**	**100%**	**11,364,466,014**	**100%**

17. CONTRIBUTIONS AND SPONSORSHIP

The tax allowable donations and sponsorship made during the year was ₦6,850,000 (2020: ₦6,850,000).

For the year ended 31 December 2021.

	2021	**2020**
	₦'000	₦'000
Contribution to Nigerian Insurance industry for COVID-19	**-**	5,000
Cancer awareness programme	**-**	1,500
Shekinah Praise	**-**	250
Rotary International District 9110	**500**	-
Chartered Institute of Taxation of Nigeria VI and Lekki District Society	**600**	100
Laspotech Tennis Club	**300**	-
Ibadan Golf Club	**300**	
University of Lagos	**500**	-
Nigeria British Chambers of Commerce	**2,500**	-
Nigeria Council of Registered insurance Brokers	**500**	-
Chartered Institute of Taxation of Nigeria	**250**	-
	5,450	6,850

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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

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. Olaotan Soyinka	- 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, Laws of the Federation of Nigeria 2020, the Company has in place an Audit Committee comprising three shareholders and two Directors as follows:

1. Mr. Emmanuel Oluwadare	- Chairman - Shareholders representative
2. Mr. Shedrack Odoh	- Member
3. Mr. David Ashaolu	- Member
4. Ms. Emi Faloughi	- Member
5. Mr. Olarenwaju Oyeniyi	- Member

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, Laws of the Federation of Nigeria 2020. All the committees endeavoured to perform their duties competently during the the year ended 31 December 2021.

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

20. RECORD OF COMMITTEES ATTENDANCE

a) Record of attendance at board meetings for the year 2021

DIRECTORS	28-01-21	16-03-21	25-05-21	28-10-21	16-12-21
Mr. Oluseun Ajayi	Yes	Yes	Yes	Yes	Yes
Col. Musa Shehu (Rtd), OFR	Yes	Yes	Yes	No	Yes
Mr. Abimbola Oguntunde	Yes	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes	Yes
Mr. Shedrack Odoh	Yes	Yes	Yes	Yes	Yes
Mr. Olaotan Soyinka	Yes	Yes	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes	Yes	Yes
Mrs. Ugochi Odemelam	Yes	Yes	Yes	Yes	Yes

b) Record of attendance at the Finance, Investment & General Purposes Committee meetings for 2021

MEMBERS	27-01-21	30-04-21	29-07-21	26-10-21	14-12-21
Mr.Abimbola Oguntunde	Yes	Yes	Yes	(Retired)	(Retired)
Ms. Emi Faloughi	Yes	Yes	Yes	Yes	Yes
Mr. Shedrack Odoh	Yes	Yes	Yes	Yes	Yes
Mr. Olaotan Soyinka	Yes	Yes	Yes	Yes	Yes
Mr. Jude Modilim	Yes	Yes	Yes	Yes	Yes

c) Record of attendance at the Enterprise Risk Management & Governance Committee meetings for 2021

MEMBERS	25-05-21	27-10-21	15-12-21
Mr. Shedrack Odoh	YES	YES	YES
Mr. Eric Balogun	YES	NO	YES
Mr. Abimbola Oguntunde	YES	YES	YES
Ms. Emi Faloughi	YES	YES	YES
Mr. Olaotan Soyinka	YES	YES	YES
Mrs. Ugochi Odemelam	YES	YES	YES

d) Record of attendance at the Audit & Compliance Committee meetings for 2021

MEMBERS	15-03-21	25-05-21	27-10-21	15-12-21
Mr. Babatunde Adaramaja	Yes	Yes	(Retired)	(Retired)
Mr. Emmanuel Oluwadare	Yes	Yes	Yes	Yes
Mr. Shedrack Odoh	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes
Mr. Ashaolu Oluwole David	Yet to be appointed to the audit committee by the board at the time of this meetings	Yet to be appointed to the audit committee by the board at the time of this meetings	Yes	Yes
Mr. Olarenwaju Oyeniyi	No	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, Laws of the Federation of Nigeria 2020.

BY ORDER OF THE BOARD

EQUITY UNION LIMITED
(Corporate Secretaries/ Nominees)

Yetunde Martins
FRC/2013/NBA/0000003399

Equity Union Limited
Company Secretary
Lagos, Nigeria

Dated: 16 March 2022

SOVEREIGN TRUST INSURANCE PLC

REPORT OF THE AUDIT COMMITTEE IN RESPECT OF THE 2021 AUDITED ACCOUNTS

In compliance with the provision of section 359(3) to 6 of the Companies and Allied Matters Act Laws of the Federation of Nigeria 2020, 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, 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 2021 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. Emmanuel Oluwadare
Chairman, Audit Committee
FRC/2019/ICAN/00000019299

Dated: 14 March 2022

Members of the Audit Committee are:

Mr. Emmanuel Oluwadare	-	Chairman - Shareholders' representative
Mr. David Ashaolu	-	Shareholders representative
Mr. Olarenwaju Oyeniyi	-	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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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

Dated: 16 March 2022

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

Dated: 16 March 2022

SOVEREIGN TRUST INSURANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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

Dated: 16 March 2022

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

Dated: 16 March 2022

Accountants &
business advisers

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 2021, 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 2021, 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 2021, 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.

PKF House• 205A Ikorodu Road• Obanikoro• Lagos• G.P.O. Box 2047• Marina• Lagos• Nigeria.
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• Port Harcourt

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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 ₦3.9 billion (2020: ₦3.7 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. 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.
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.	Based on the work we have performed, we consider the valuation of insurance contract liabilities acceptable.

Key audit matters	How the matters were addressed in the audit
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.	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.
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.	Based on the work we have performed, we consider the valuations of investment properties and land and buildings acceptable.
c) Impairment allowance on financial assets The impairment assessment of cash and cash equivalents, investment securities,trade receivables ,claims recoverable and other assets 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. Significant judgement is required by the Directors in assessing the impairment of financial assets in compliance with IFRS 9, which requires a loss allowance for Expected Credit Loss (ECL) to be measured at the reporting date for those financial assets subject to impairment accounting. With the concept of a significant increase in credit risk arising as a result of the COVID-19 pandemic in determining expected credit losses, this assessment must consider all reasonable and supportable historic and forward-looking information.	We focused our testing of management's impairment assessment on cash and cash equivalents, investment securities,trade receivables ,claims recoverable and other assets included: i) We reviewed the IT general controls governing the IFRS reporting process employed by the Company in assigning PD's to the financial assets. Also, tested the key controls relating to the preparation of the impairment model including the competence and authority of person(s) performing the control, frequency, and consistency with which the control is performed;

Key audit matters	How the matters were addressed in the audit
c) Impairment allowance on financial assets (Cont'd) 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. • Factors considered in cash flow estimation including timing and amount. • Analysis of external ratings, internal benchmarking or grouping risks together when the Company relies on such. The Company might be unable to support the suitability of any groupings to justify such approach as this may mask underlying credit losses or increases in credit risks, if the segments are not sufficiently homogeneous.	Our further procedures in relation included: ii) For trade receivable, claims recoverable and other assets,obtained an understanding of the Expected Credit Loss (ECL) model prepared by management for the computation of impairment. iii) 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. iv) Assessed the appropriateness of the most significant model assumptions including loss given default and probability of default and recalculated the impairment allowance. v) Validated material transactions during the year to debit and credit notes. vi) We reviewed subsequent receipts after year end of trade receivable, claims recoverable and other assets. vii) Evaluated the appropriateness of the related disclosures in line with IFRS 9 requirements. viii) Verifying the source of the credit ratings used and check the appropriateness of the ratings in accordance with IFRS 9.
The Company's accounting policy on impairment and cash and cash equivalents, investment securities,trade receivables ,claims recoverable and other assets are disclosed in Notes 2.6,2.7,2.8,2.9, 3, 15,16,17 ,18 and 19.	Based on the work we have performed, we consider the level of impairment allowance acceptable.

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, 2021, 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.

Olatunji Ogundeyin, FCA
FRC/2013/ICAN/00000002224
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Dated: 16 March 2022

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2021

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
2.2.1 Basis for measurement
The preparation of these financial statements have been based on historical cost basis except for the undermentioned areas which are measured on an alternative basis on each reporting date:

- Equity instruments at fair value through profit or loss measured at fair value
- Debt securities at amortised cost
- Equity instrument at fair value through other comprehensive income
- Investment properties measured at fair value
- Land and buildings are carried at revalued amount.
- Insurance contract liabilities measured at present value of projected cash flows

The financial statements were approved by the board of Directors and authorised for issue on 16 March 2022.

2.2.2 Statement of compliance with IFRS
These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC) for Interpretations applicable to companies reporting under IFRS and in the manner required by the Companies and Allied Matters Act, 2021, the Financial Reporting Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission (NAICOM) Circulars and Guidelines.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

2.5.1 Summary of Standards and Interpretations effective for the first time
IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

2.5.2 Standards Issued and Effective on or after 1 January 2022
a) IFRS 17 Insurance Contracts
IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. This standard replaces IFRS 4 – Insurance contracts.
The key principles in IFRS 17 are that an entity:

a). identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain, future event (the insured event) adversely affects the policyholder;

b). separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

c). divides the contracts into groups it will recognise and measure;

d). recognises and measures groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all the available information about the fulfilment cash flows in a way that is consistent with observable market information plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin);

e). recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk, if a group of contracts is or becomes loss-making, an entity recognises the loss immediately;

f). presents separately insurance revenue, insurance service expenses and insurance finance income or expenses;

g) discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. To do this, an entity discloses qualitative and quantitative information about:

- the amounts recognised in its financial statements from insurance contracts;
- the significant judgements, and changes in those judgements, made when applying the Standard; and
- the nature and extent of the risks from contracts within the scope of this Standard.

2.5.3 Narrow Scope Amendments deferred until further notice

a) IFRS 10 consolidated financial statements

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

b) IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

2.5.4 New standards, amendments and interpretations issued but without an effective date

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but without an effective: This includes:

Amendments to IFRS 10 and IAS 28 consolidated financial statements and Investments in Associates and Joint Ventures

Amends IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);

- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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.

2.7 Financial assets

2.7.1.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.

a.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).

b.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.

2.7.2.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.

a. 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.

b. 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.

c.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.

d. 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.

2.7.3.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.

2.7.4. 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.

2.7.5.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.

2.7.6. Financial liabilities and equity instruments

2.7.6.1 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.

2.7.6.2 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.

2.7.6.3 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.

2.7.6.4 Other financial liabilities

2.7.6.4.1.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.

.7.6.4.2 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.

2.7.6.4.3 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 recognised 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 recognised 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 amortisation 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. Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

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 recognised 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 recognised 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. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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 Related parties

Related parties include the company and other connected entities. Directors, their close family members and any employes who is able to exert a significant influence on the operating policies of the Company, are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

2.28 Contingent liabilities and assets

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are never recognised but are disclosed in the financial statements when they arise.

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 2021

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 2021, 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 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2021. 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 2021. 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 Interpretation 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 Improvementn 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 2021

	Notes	2021 ₦'000	2020 ₦'000
Gross premium written	5	**12,718,526**	11,120,684
Gross premium income	5	**12,488,771**	11,284,087
Premiums ceded to reinsurers	5	**(5,212,431)**	(4,742,179)
Net premium income		**7,276,340**	6,541,908
Commission income	6	**779,220**	1,015,889
Net underwriting income		**8,055,560**	7,557,797
Net claims expenses	7	**(3,169,009)**	(3,485,778)
Underwriting expenses	8	**(2,472,716)**	(2,080,767)
Underwriting profit	43	**2,413,835**	1,991,252
Investment income	9	**316,870**	448,197
Fair value gain on equity instruments	16.3	**23,695**	86,296
Realised gain on equity instruments	16.3	**195,732**	26,553
Credit loss reversal/(expense)	12	**11,355**	(18,064)
Fair value gain on investment properties	21	**1,065**	30,315
Other operating income	10	**207,074**	7,827
Management expenses	11	**(2,066,565)**	(1,740,695)
Result of operating activities		**1,103,061**	831,681
Share of profit from associate	20.1	**319**	3,886
Interest on borrowings	29.1	**(217,623)**	(39,459)
Profit before income tax		**885,757**	796,108
Income tax credit/(expense)	13	**88,977**	(108,409)
Profit after income tax		**974,734**	687,699
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	**(4,736)**	(13,662)
Other comprehensive income for the year, net of tax		**(4,736)**	151,795
Total comprehensive income for the year, net of tax		**969,998**	839,494
Earnings per share:			
Basic (kobo)	14	**11**	8

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 2021

	Notes	2021 ₦'000	2020 ₦'000
Assets			
Cash and cash equivalents	15	**7,982,828**	7,274,017
Investment securities	16	**1,700,920**	565,133
Trade receivables	17	**884,015**	747,406
Reinsurance assets	18	**2,314,111**	2,684,186
Other receivables and prepayments	19	**226,899**	227,155
Investment in associate	20	**92,131**	91,812
Investment properties	21	**1,014,708**	1,013,643
Intangible assets	22	**1,844**	2,764
Deferred acquisition costs	23	**394,242**	299,936
Right of use assets	24.1	**47,250**	63,000
Property, plant and equipment	25	**1,423,466**	1,549,186
Statutory deposit	27	**315,000**	315,000
Total assets		**16,397,414**	14,833,238
Liabilities and equity			
Liabilities			
Insurance contract liabilities	28	**3,961,511**	3,762,566
Borrowings	29	**1,714,241**	1,250,580
Trade payables	30	**678,224**	453,993
Other payables and accruals	31	**82,189**	146,117
Lease liabilities	24.2	**19,869**	63,379
Current income tax payable	26.1	**227,782**	390,097
Deferred tax liabilities	26.2	**96,368**	140,408
Total liabilities		**6,780,185**	6,207,140
Equity			
Ordinary share capital	33.1	**5,682,248**	5,682,248
Share premium	33.2	**74,057**	74,057
Contingency reserve	33.3	**3,689,555**	3,307,999
Revaluation reserve	33.4	**390,560**	390,560
Fair value reserve	33.5	**16,947**	551
Accumulated losses	33.6	**(236,138)**	(829,316)
Total equity		**9,617,229**	8,626,099
Total liabilities and equity		**16,397,414**	14,833,239

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 2022 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 2021

	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 2020	4,170,412	116,843	2,974,378	390,560	14,213	(1,183,394)	6,483,012
Profit after income tax for the year	-	-	-	-	-	687,699	687,699
Fair value loss on equity instruments at FVTOCI	-	-	-	-	(13,662)	-	(13,662)
Total comprehensive income for the year	-	-	-	-	(13,662)	687,699	674,037
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	-	-	333,621	-	-	(333,621)	-
At 31 December 2020	5,682,248	74,057	3,307,999	390,560	551	(829,316)	8,626,099
At 1 January 2021	**5,682,248**	**74,057**	**3,307,999**	**390,560**	**551**	**(829,316)**	**8,626,099**
Profit after income tax for the year	**-**	**-**	**-**	**-**	**-**	**974,734**	**974,734**
Fair value loss on equity instruments at FVTOCI	**-**	**-**	**-**	**-**	**16,396**	**-**	**16,396**
Revaluation gain on property and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**16,396**	**974,734**	**991,130**
Transaction directly affecting equity holders							
Transfer between reserves	**-**	**-**	**381,556**	**-**	**-**	**(381,556)**	**-**
At 31 December 2021	**5,682,248**	**74,057**	**3,689,555**	**390,560**	**16,947**	**(236,138)**	**9,617,229**

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 2021

	Notes	2021 ₦'000	2020 ₦'000
Operating activities:			
Premium received from policyholders		**12,581,917**	10,215,945
Reinsurance receipts in respect of claims	7	**926,762**	703,915
Cash paid to and on behalf of employees	11.1	**(935,897)**	(826,619)
Reinsurance premium paid		**(5,084,703)**	(5,577,554)
Fees and commission income	6	**779,220**	1,015,889
Commission paid		**(1,576,360)**	(1,376,770)
Maintenance cost	8	**(990,662)**	(676,755)
Other operating cash payments		**(684,368)**	(708,583)
Investment income	9	**316,870**	448,197
Other operating income		**274,401**	-
Claims paid	28.1	**(3,758,514)**	(2,900,626)
Income tax paid	26.1	**(19,290)**	(15,682)
Withholding tax credit utilised		**(98,090)**	-
Net cash flows from operating activities	35	**1,731,286**	301,357
Investing activities:			
Purchase of property, plant and equipment	25	**(57,873)**	(127,930)
Purchase of intangible assets	22	**-**	(1,800)
Receipts from mortgage loans	16.3	**5,375**	6,683
Proceed of instruments at amortised cost		**190,379**	-
Purchase of debt instruments at amortised cost	16.3	**(26,636)**	-
Purchase of equity instrument FVTOCI	16.3	**(330,575)**	-
Proceeds from bonds maturity	16.3	**72,133**	82,453
Purchase of investment properties	21	-	(10,000)
Proceeds from other receivable (investment properties)	19.1	**-**	33,916
Purchase of quoted shares	16.3	**(1,234,278)**	(317,570)
Proceeds from disposal of quoted stock	16.3	**951,092**	167,150
Net cash flows from investing activities		**(430,383)**	(167,098)
Financing activities:			
Recpayment of lease liabilities		**(43,510)**	-
Net cash flows from financing activities		**(43,510)**	-
Net increase in cash and cash equivalents		**1,257,393**	134,259
Short term investments above 91 days		**(358,207)**	(554,150)
Cash and cash equivalents at 1 January		**6,731,539**	7,151,430
Cash and cash equivalents at 31 December	34	**7,630,725**	6,731,539

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 2021

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

	2021			2020		
	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	2,352,693	-	2,352,693	2,104,675	-	2,104,675
Fire and property	2,068,656	(692,202)	1,376,454	1,691,038	(561,756)	1,129,282
General accident	946,606	(372,888)	573,718	850,363	(495,491)	354,872
Marine and aviation	1,112,653	(480,482)	632,171	955,223	(515,473)	439,750
Oil and gas	4,466,493	(3,282,426)	1,184,067	3,991,567	(2,787,593)	1,203,974
Car and engineering	1,771,425	(381,752)	1,389,673	1,527,818	(367,135)	1,160,683
Gross premium written	12,718,526	(5,209,750)	7,508,776	11,120,684	(4,727,448)	6,393,236
Changes in unearned premium	(229,755)	(2,681)	(232,436)	163,403	(14,731)	(144,843)
Total premium income	12,488,771	(5,212,431)	7,276,340	11,284,087	(4,742,179)	6,248,393

6. Commission income

	2021	2020
	₦'000	₦'000
Motor	38,231	(4,204)
Oil and gas	302,917	39,677
Fire and property	155,255	(16,964)
General accident	132,178	931,434
Marine and aviation	69,071	27,931
Car and engineering	81,568	38,015
	779,220	1,015,889

6.1. 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 2021

	2021	2020
	₦'000	₦'000
7. Net claims expenses		
Gross claims paid (Note 28.1)	**3,758,514**	2,900,626
Changes in outstanding claims provision	**(30,809)**	601,986
	3,727,705	3,502,612
Re-insurance recoverable:		
Claims recoveries	**(926,762)**	(703,915)
Changes in outstanding claims due from reinsurers	**368,066**	687,081
	3,169,009	3,485,778
8. Underwriting expenses		
Acquisition costs incurred:		
Commission paid (Note 23)	**1,576,360**	1,376,769
Changes in deferred acquisition costs	**(94,306)**	27,243
Commission incurred (Note 23)	**1,482,054**	1,404,012
Maintenance costs (Note 8.1)	**990,662**	676,755
	2,472,716	2,080,767

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

	2021	2020
9. Investment income		
Interest income (Note 9.1)	**261,272**	410,360
Dividend income	**40,422**	30,238
Rental income from investment properties (Note 21)	**15,176**	7,599
	316,870	448,197

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

	2021	2020
10. Other operating income		
Net foreign exchange gain	**207,074**	-
Sundry income	**-**	7,827
	207,074	7,827

SOVEREIGN TRUST INSURANCE PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 ₦'000	2020 ₦'000
Operating activities:			
Premium received from policyholders		**12,581,917**	10,215,945
Reinsurance receipts in respect of claims	7	**926,762**	703,915
Cash paid to and on behalf of employees	11.1	**(935,897)**	(826,619)
Reinsurance premium paid		**(5,206,775)**	(5,577,554)
Fees and commission income	6	**914,516**	1,015,889
Commission paid		**(1,576,360)**	(1,376,770)
Maintenance cost	8	**(990,662)**	(676,755)
Other operating cash payments		**(684,368)**	(708,583)
Investment income	9	**316,870**	448,197
Other operating income		**255,607**	-
Claims paid	28.1	**(3,758,514)**	(2,900,626)
Income tax paid	26.1	**(19,290)**	(15,682)
Withholding tax credit utilised		**(98,090)**	-
Net cash flows from operating activities	35	**1,725,716**	301,357
Investing activities:			
Purchase of property, plant and equipment	25	**(57,873)**	(127,930)
Purchase of intangible assets	22	**-**	(1,800)
Receipts from mortgage loans	16.3	**5,375**	6,683
Purchase of debt instruments at amortised cost	16.3	**(384,843)**	-
Purchase of equity instrument FVTOCI	16.3	**(330,575)**	-
Proceeds from bonds maturity	16.3	**72,133**	82,453
Purchase of investment properties	21	-	(10,000)
Proceeds from other receivable (investment properties)	19.1	**-**	33,916
Purchase of quoted shares	16.3	**(1,234,278)**	(317,570)
Proceeds from disposal of quoted stock	16.3	**951,092**	167,150
Net cash flows from investing activities		**(978,969)**	(167,098)
Financing activities:			
Recpayment of lease liabilities		**(43,510)**	-
Net cash flows from financing activities		**(43,510)**	-
Net increase in cash and cash equivalents		**703,238**	134,259
Short term investments above 91 days		**(358,207)**	(554,150)
Short term investments above 91 days at 1 January		**554,150**	
Cash and cash equivalents at 1 January		**6,731,539**	7,151,430
Cash and cash equivalents at 31 December	34	**7,630,720**	6,731,539

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 2021

	2021	2020
	₦'000	₦'000
11.3 Expenses by nature		
Gross claims paid (Note 28.1)	**3,758,514**	2,900,626
Changes in outstanding claims provision	**(30,809)**	601,986
Claims recoveries	**(926,762)**	(703,915)
Changes in outstanding claims due from reinsurers	**368,066**	687,081
Commission paid (Note 23)	**1,576,360**	1,376,769
Changes in deferred acquisition costs	**(94,306)**	27,243
Maintenance costs	**990,662**	676,755
Employee benefits expense (Note 11.1)	**935,897**	826,619
Depreciation on property, plant and equipment (Note 25)	**183,592**	141,264
Directors fee and allowance	**246,038**	59,071
Amortisation of intangible assets (Note 22)	**19,125**	15,922
Exchange difference on Daewoo Bond (Note 29.1)	**920**	5,160
Auditors' remunerations (Note 11.3.1)	**8,000**	8,000
Advertising	**73,818**	71,284
Bank charges	**77,004**	67,946
Rent and rate	**34,104**	37,025
Fuel, electricity and energy	**42,614**	42,042
Insurance	**47,498**	49,922
Staff training and education	**16,505**	7,608
NAICOM Levy	**120,649**	115,137
Transport and travelling expenses	**4,072**	16,023
Data processing	**26,782**	26,360
Automobile expenses	**19,111**	14,691
Office building maintenance and security	**20,678**	24,376
Gifts	**28,597**	25,157
Professional fees	**32,636**	36,108
Telephone expenses	**9,474**	9,087
Annual general meeting expenses	**15,030**	14,754
Forms and printing expenses	**19,581**	15,105
Contribution to I.T.F. levy	**7,061**	16,159
Office and stationery expenses	**10,723**	10,721
Contribution to NSITF	**4,528**	5,113
Equipment maintenance and repairs	**5,720**	5,107
Hotel accommodation	**2,433**	2,690
Contribution to NHF	**6,052**	4,728
Periodicals and books	**1,973**	2,550
Tax consultancy expenses	**2,500**	2,993
Courier and postages expenses	**3,066**	4,124
Entertainment	**3,023**	3,348
Local government dues	**3,570**	1,794
Security Exchange Commission and Nigerian Stock Exchange expenses	**2,850**	3,071
Contribution and donation	**5,450**	6,850
Club membership and subscriptions	**4,427**	2,785
Staff uniforms	**38**	-
Stamp duty	**-**	7,537
Tax fine on VAT and Withholding tax	**-**	32,464
	7,686,864	7,307,240

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000

11.3.1 This represents fee charged on the audit exercise carried out by the external auditros (the "Firm) during the year for the Company. The Firm did not carry out any other non-audit engagements for the Company during the year.

11.4 Expenses by function

	2021 ₦'000	2020 ₦'000
Net claims expenses (Note 7)	**3,169,009**	3,485,778
Underwriting expenses (Note 8)	**2,472,716**	2,080,767
Management expenses (Note 11)	**2,066,565**	1,740,695
	7,708,290	7,307,240

12. Credit loss expense/(reversal)

	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
31 December 2021				
Cash in banks and short-term deposits (Note 15.2b)	**(5,570)**	**-**	**-**	**(5,570)**
Trade receivables	**(5,112)**	**-**	**-**	**(5,112)**
Claims recoverable	**(673)**	**-**	**-**	**(673)**
Debt instruments at amortised cost:				
Bonds	**-**	**-**	**-**	**-**
Loans and advances (Note 16.2)	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
	(11,355)	**-**	**-**	**(11,355)**
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
	2,135	-	-	18,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
13. Income tax expense		
The major components of income tax expense for the year ended 31 December 2021 are:		
13.1 Current tax year charge		
Current year tax:		
Company income tax	**138,449**	202,405
Education tax	**14,019**	16,763
Information technology levy	**10,096**	5,802
Police Trust Fund levy	**50**	42
Total corporate tax (Note 26.1)	**162,614**	225,012
(Over)/under-provision for tax	**(207,551)**	21,312
Deferred taxation:		
Write-back (Note 26.2)	**(44,040)**	(137,915)
Total income tax (credit)/ expense	**(88,977)**	108,409
13.2 Reconciliation of tax charge		
Profit before income tax	**885,757**	796,108
Tax at Nigerian's statutory income tax rate of 30%	**265,727**	238,832
Tax exempt income	**(301,694)**	(520,339)
Information technology	**10,096**	5,802
Non-deductible expenses	**287,568**	565,454
Police Trust Fund levy	**50**	42
Education tax @ 2% of assessable profit	**14,019**	16,763
	275,766	306,554

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000

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:

	2021 ₦'000	2020 ₦'000
Net profit attributable to ordinary shareholders for basic earnings	**974,734**	687,699
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)	**11.34**	8.00

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

	2021 ₦'000	2020 ₦'000
Cash in banks	**4,895,488**	2,897,737
Short-term deposits with banks and other financial institutions	**3,093,444**	4,387,954
	7,988,932	7,285,691
Allowance for expected credit loss (Note 15.1b)	**(6,104)**	(11,674)
	7,982,828	7,274,017
Current	**7,982,828**	7,274,017
non-current	**-**	-
	7,982,828	7,274,017

15.1 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%).

15.2 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	7,988,932	-	-	7,988,932
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	-	-
	7,988,932	-	-	7,988,932

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 2021	7,285,691	-	-	7,285,691
New assets originated or purchased	4,547,841	-	-	4,547,841
Assets derecognised or repaid	(3,844,994)	-	-	(3,844,994)
At 31 December 2021	7,988,538	-	-	7,988,538
ECL allowance				
At 1 January 2021	11,674	-	-	11,674
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	(5,570)	-	-	(5,570)
Credit loss expense (Note 12)	(5,570)	-	-	(5,570)
At 31 December 2021	6,104	-	-	6,104

	Current account with bank	Short-term deposit	Total
	₦'000	₦'000	₦'000
Credit analysis as at 31 December 2021			
Performing			
High grade	-	-	-
Standard grade	4,895,488	3,093,444	7,988,932
Sub-standard grade	-	-	-
Past-due but not impaired	-	-	-
Non-performing			
Individually	-	-	-
	4,895,488	3,093,444	7,988,932

15.2 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	7,285,691	-	-	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)
Foreign exchange adjustment		-	-	-
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 reversal (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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
16. Investment securities		
Equity instruments at fair value through profit or loss	**924,086**	421,473
Equity instrument at fair value through other comprehensive income (Note 16.1)	**370,358**	44,519
Debt securities at amortised cost (Note 16.2)	**406,476**	99,141
	1,700,920	565,133

	2021	2020
16.1 Equity instrument at fair value through other comprehensive income		
Waica Reinsurance Corporation	**65,692**	55,560
Interconnect Clearinghouse Nigeria Limited	**13,621**	2,621
STI Asset Management Limited	**309,443**	-
	388,756	58,181
Fairvalue reserve (Note 35.5)	**(18,398)**	(13,662)
Fairvalue at 31 December	**370,358**	44,519

STI Asset management Limited is a subsidary of the Company (STI PLC) and is currently undergoing approval and certification by the Securities and Exchange Commission.

	2021	2020
16.2 Debt securities at amortised cost		
Federal Government bonds	**76,985**	-
State Government bonds	**152,449**	62,672
Corporate bonds	**181,939**	35,991
Mortgage loan	**2,319**	7,694
Gross amount (Note a)	**413,692**	106,357
Allowance for expected credit loss (Note b)	**(7,216)**	(7,216)
	406,476	99,141

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	**411,373**	-	-	**411,373**
Standard grade	**2,319**	-	-	**2,319**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	-	-
	413,692	-	-	413,692

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'000
Gross carrying amount				
At 1 January 2021	**106,357**	**-**	**-**	**106,357**
New assets originated or purchased	**307,335**	**-**	**-**	**307,335**
Assets derecognised or repaid	**-**	**-**	**-**	**-**
At 31 December 2021	**413,692**	**-**	**-**	**413,692**
ECL allowances				
At 1 January 2021	**7,216**	**-**	**-**	**7,216**
New assets originated or purchased	**-**	**-**	**-**	**-**
Assets derecognised or repaid	**-**	**-**	**-**	**-**
Credit loss expense (Note 12)	**-**	**-**	**-**	**-**
At 31 December 2021	**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	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 2021

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

	Stage 1	Stage 2	Stage 3	Total
	₦'000	₦'000	₦'000	₦'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 reversal (Note 12)	9	-	-	9
At 31 December 2020	7,216	-	-	7,216

16.3 Movement in investment securities

	Equity at fair value through profit or loss	Equity at fair through other comprehensive income	Debt instruments at amortised cost	Total
	₦'000	₦'000	₦'000	₦'000
At 1 January 2021	**421,473**	**44,519**	**106,357**	**572,349**
Additions	**1,197,769**	**330,575**	**384,843**	**1,913,187**
Bonus	**36,509**	**-**	**-**	**36,509**
Disposals	**(951,092)**	**-**	**-**	**(951,092)**
Receipts from loans	**-**	**-**	**(5,375)**	**(5,375)**
Proceeds from bonds maturity	**-**	**-**	**(72,133)**	**(72,133)**
Fair value gain recognised in profit or loss:				
Fair value gain on equity instruments	**23,695**	**-**	**-**	**23,695**
Realised gain on equity instruments	**195,732**	**-**	**-**	**195,732**
Fair value loss recorded in other comprehensive income	**-**	**(4,736)**	**-**	**(4,736)**
	924,086	**370,358**	**413,692**	**1,708,136**
Expected credit losses	**-**	**-**	**(7,216)**	**(7,216)**
At 31 December 2021	**924,086**	**370,358**	**406,476**	**1,700,920**

	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 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 loss recorded in statement of profit or loss				
Fair value gain on equity instruments	86,296			86,296
Realised gain on equity instruments	26,553			26,553
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

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 2021					
Equity instruments at fair value through profit or loss	**924,086**	**924,086**	**-**	**-**	**924,086**
Equity instrument at fair value through other comprehensive income	**370,358**	**-**	**-**	**370,358**	**370,358**
Debt securities at amortised cost	**406,476**	**-**	**406,476**	**-**	**406,476**
Reconciliation of level 3 items					
At 1 January 2021	**-**	**-**	**-**	**44,519**	**44,519**
Addtions	**-**	**-**	**-**	**330,575**	**330,575**
Loss recognised through other comprehensive income	**-**	**-**	**-**	**(4,736)**	**(4,736)**
At 31 December 2021	**1,700,920**	**924,086**	**406,476**	**370,358**	**1,700,920**
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

During the year ended 31 December 2021 and comparative year 31 December 2020, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

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 2021 and 31 December 2020 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	370,358	Equity DCF Model	Discount rate	Risk premium of 10.6% - 12.4% (2020: 11 - 13%) above risk-free interest rate of 14% (2020 : 14%).
			Estimate cash flow	5-years Compound Annual Growth Rate (CAGR) of cash flow of 5% (2020: 5%).

16.4.2 The effect of unobservable inputs on fair value m
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.

		2021	2020
		₦'000	₦'000
Effect on OCI			
Discount rate	+5%	**(4,973)**	(14,345)
	-5%	**4,499**	12,979
Compound Annual Growth Rate	+5%	**2,722**	2,592
	-5%	**(2,462)**	(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.

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.

	2021 ₦'000	2020 ₦'000
17. Trade receivables		
Insurance receivables	**884,015**	747,406
	884,015	747,406
The carrying amounts disclosed above approximate fair value at the reporting date.		
18. Reinsurance assets		
Reinsurance share of outstanding claims	**817,745**	1,185,811
Prepaid reinsurance (Note18.1)	**1,505,364**	1,508,046
	2,323,109	2,693,857
Impairment allowance	**(8,998)**	(9,671)
	2,314,111	2,684,186

At 31 December 2021, the Company conducted an impairment review of the reinsurance assets. The carrying amounts disclosed above approximate the fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
18.1 Movement in prepaid reinsurance		
At 1 January	**1,508,046**	1,522,777
Additions during the year	**5,209,750**	4,727,448
Recognised in profit or loss (Note 5)	**(5,212,431)**	(4,742,179)
At 31 December	**1,505,365**	1,508,046
19. Other receivables and prepayments		
Contribution to Nigerian Insurance Association	**50,300**	50,300
Staff debtors	**9,153**	8,876
Others (Notes 19.1)	**131,319**	139,791
Prepayments (Note 19.2)	**39,538**	28,982
Sundry receivable	**-**	2,617
	230,310	230,566
Impairment allowance	**(3,411)**	(3,411)
	226,899	227,155

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 ₦72.4 million has been recovered till date, out of which ₦8.5 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.

	2021	2020
20. Investment in associate		
Investment accounted for using equity method		
Investment in STI Leasing	**66,857**	66,857
Share of retained earnings in STI Leasing (Note 20.1)	**25,274**	24,955
	92,131	91,812
20.1 Analysis of share of profit from associate		
At 1 January	**24,955**	21,069
Share of profit during the year	**319**	3,886
At 31 December	**25,274**	24,955

20.2. 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.

	2021	2020
	₦'000	₦'000
21. Investment properties		
At 1 January	**1,013,643**	973,328
Addition during the year	**-**	10,000
Fair value gain	**1,065**	30,315
At 31 December	**1,014,708**	1,013,643

21.1. The addition to investment property was the recognition of the cost of perfecting the title document in respect of Awolowo Towers Property.

21.2. 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 2021. 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.

21.3.**Rental income derived from investment properties**

	2021	2020
	₦'000	₦'000
Rental income derived from investment properties (Note 9)	**15,176**	7,599

21.4.The fair value disclosure for investment properties is as follows:

Fair value measurement using

	Quoted prices in active market	**Significant observable inputs**	**Significant unobservable inputs**	
	Level 1	**Level 2**	**Level 3**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Date of valuation:				
31 December 2021				
Investment properties	**-**	**-**	**1,014,708**	**1,014,708**
31 December 2020				
Investment properties	-	-	1,013,643	1,014,708
				38

During the reporting year ended 31 December 2021, there were no transfers between level 1 and level 2 and in and out of level 3.

21.5.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:

		2021	2020
	Name of Valuer	**₦'000**	₦'000
May Fair Gardens	Rogba Orimolade & Co	**35,000**	30,000
Ibeshe Properties	J. Ajayi Patuola & Co	**83,570**	81,500
Sunrise Estate, Ipaja	Amos Jolaoye & Co	**51,812**	49,077
Solteby Apartment	Amos Jolaoye & Co	**50,000**	47,500
Epie Swali Road, Yenagoa	Gerry Iputu & Partners	**95,100**	95,100
Alagbaka Junction, Akure	J. Ajayi Patuola & Co	**419,226**	422,370
Awolowo Road, Ikoyi	Amos Jolaoye & Co	**280,000**	288,096
		1,014,708	1,013,643

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21.6.The movement in investment properties is shown as below:

	31-Dec-20	Additions	Disposal / reclassi-fication	Fair value gain/(loss)	31-Dec-21
	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2021					
May Fair Gardens	**30,000**	**-**	**-**	**5,000**	**35,000**
Ibeshe Properties	**81,500**	**-**	**-**	**2,070**	**83,570**
Sunrise Estate, Ipaja	**49,077**	**-**	**-**	**2,735**	**51,812**
Solteby Apartment	**47,500**	**-**	**-**	**2,500**	**50,000**
Epie Swali Road, Yenagoa	**95,100**	**-**	**-**	**-**	**95,100**
Alagbaka Junction, Akure	**422,370**	**-**	**-**	**(3,144)**	**419,226**
Awolowo Road, Ikoyi	**288,096**	**-**	**-**	**(8,096)**	**280,000**
	1,013,643	**-**	**-**	**1,065**	**1,014,708**

	31-Dec-19	Additions	Disposal / reclassi-fication	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
22. Intangible assets		
Computer software		
Cost:		
At 1 January	**74,551**	72,751
Additions	**-**	1,800
At 31 December	**74,551**	74,551
Accumulated amortization:		
At 1 January	**71,787**	66,628
Amortisation charge	**920**	5,159
At 31 December	**72,707**	71,787
Carrying amount	**1,844**	2,764

22.1 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 2020	144,078	2,272	41,189	60,939	71,984	6,716	327,178
Commission paid	367,095	243,445	164,241	285,976	225,907	90,106	1,376,770
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**	**36,801**	**35,664**	**79,294**	**1,260**	**299,936**
Commission paid	**272,096**	**570,018**	**42,482**	**316,257**	**276,818**	**98,689**	**1,576,360**
Amortisation (Note 8)	**(171,574)**	**(603,060)**	**(37,820)**	**(308,982)**	**(281,171)**	**(79,448)**	**(1,482,054)**
At 31 December 2021	**194,453**	**19,945**	**41,463**	**42,939**	**74,941**	**20,501**	**394,242**
Current	194,453	19,945	41,463	42,939	74,941	20,501	394,242
Non-current	-	-	-	-	-	-	-

	2021	2020
	₦'000	₦'000
24. Leases		
24.1 Right of use assets		
Motor vehicle		
Cost		
At 1 January	**63,000**	-
Additions	**-**	63,000
At 31 December	**63,000**	63,000
Accumulated depreciation		
Depreciation charge	**15,750**	-
At 31 December	**15,750**	-
Carrying amount	**47,250**	63,000

Charge and depreciation will commence in 2021.

	2021	2020
24.2 Lease liabilities		
At 1 January	**63,379**	-
Additions	**-**	63,000
Interest expense	**-**	379
Repayments	**(43,510)**	-
At 31 December	**19,869**	63,379

24.3.The lease is a finance lease.

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. Property, plant and equipment

	Land ₦'000	Building ₦'000	Leasehold improvements ₦'000	Office equipment ₦'000	Furniture & fittings ₦'000	Plant & machinery ₦'000	Motor vehicles ₦'000	Computer & equipment ₦'000	Total ₦'000
Cost/revaluation									
At 1 January 2020	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)
Revaluation surplus/(deficit)	236,367	-	-	-	-	-	-	-	236,367
Revaluation adjustment	-	(242,808)	-	-	-	-	-	-	(242,808)
At 31 December 2020	**758,367**	**410,200**	**135,844**	**93,739**	**118,541**	**92,172**	**1,275,984**	**236,464**	**3,121,311**
Additions	**-**	**12,060**	**-**	**3,941**	**2,388**	**350**	**27,449**	**11,685**	**57,873**
At 31 December 2021	**758,367**	**422,260**	**135,844**	**97,680**	**120,929**	**92,522**	**1,303,433**	**248,149**	**3,179,184**
Accummulated depreciation									
At 1 January 2020	-	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**
Charge	**-**	**11,162**	**-**	**3,090**	**2,389**	**6,568**	**149,920**	**10,464**	**183,593**
At 31 December 2021	**-**	**11,162**	**-**	**90,751**	**115,461**	**82,354**	**1,218,097**	**237,893**	**1,755,718**
Carrying amount									
At 31 December 2021	**758,367**	**411,098**	**135,844**	**6,929**	**5,468**	**10,168**	**85,336**	**10,256**	**1,423,466**
At 31 December 2020	758,367	410,200	135,844	6,078	5,469	16,386	207,807	9,035	1,549,186

i. No leased assets are included in the above property and equipment (2020: Nil).
ii. There were no capital commitment contracted or authorised as at the reporting date (2020: Nil).
iii. There were not capitalised borrowing cost related to the acquisition of property and equipment during the year (2020: Nil).
iv. None of the assets are pledged during the year (2020: 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 2021 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 2021 for ₦292,942,750 by Amos Jolaoye & Co. Chartered Surveyors, Valuers and Real Estate Consultants.

	2021	2020
	₦'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

	2021	2020
At 1 January	**390,097**	159,455
Amounts recorded in the profit or loss (Note 13.1)	**162,614**	225,012
(Over)/Under-provision for previous years tax	**(207,548)**	21,312
Witholding tax credit notes	**(98,090)**	-
Payments made during the year	**(19,290)**	(15,682)
At 31 December	**227,782**	390,097

26.2 Deferred tax liabilities

	2021	2020
Deferred tax liabilities	**96,368**	140,408

Movement in deferred tax liabilities

	2021	2020
At 1 January	**140,408**	207,413
Amounts recorded in the profit or loss (Note 13.1)	**(44,040)**	(137,915)
Effect of revaluation of property and equipment (Note 33.4)	**-**	70,910
At 31 December	**96,368**	140,408

Deferred tax liabilities is attributable to the following:

	2021	2020
Property and equipment	**96,368**	121,535
Investment property	**-**	13,738
Unrealised foreign exchange gain	**-**	78,184
ECL on financial assets	**-**	(6,044)
	96,368	207,413

	2021	2020
27. Statutory deposit (Note 27.1)	**315,000**	315,000

27.1. Statutory deposit

The statutory deposit of ₦315,000,000 represents the amount deposited with the Central Bank of Nigeria as at 31 December 2021 (31 December 2020: ₦315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. The deposit has been tested for adequacy as at 31 December 2021 and found to be adequate.

Interest income earned at annual average rate of 13.17% per annum (2020 : 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 2021

	2021	2020
	₦'000	₦'000
28. Insurance contract liabilities		
Claims reported by policyholders	**885,191**	1,064,778
Claims incurred but not reported (IBNR)	**690,717**	541,940
Outstanding claims provisions (Note 28.1)	**1,575,908**	1,606,718
Unearned premiums (Note 28.3)	**2,385,603**	2,155,848
	3,961,511	3,762,566
Current	**3,355,223**	2,802,504
Non-current	**606,288**	960,062
	3,961,511	3,762,566

The Company engaged Logic Professional Services (FRC/2017/NAS/00000017548) to perform an Insurance liability valuation as at 31 December 2021 for its insurance business.

	2021	2020
28.1 Outstanding claims provisions		
At 1 January	**1,606,718**	1,004,732
Claims incurred in the current year (Note 7)	**3,727,705**	3,502,612
Claims paid during the year (Note 7)	**(3,758,514)**	(2,900,626)
At 31 December	**1,575,909**	1,606,718

The aging analysis for claims reported and losses adjusted.

	2021	2020
Days		
0 - 90	**23,760**	55,574
91 - 180	**70,962**	33,290
181 - 270	**114,913**	10,503
271 - 360	**69,269**	5,349
361 and above	**606,288**	960,062
Incurred but not reported (IBNR)	**690,717**	541,940
	1,575,909	1,606,718

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

	2021	2020
Analysis of reported claims per class of insurance		
Motor	**20,587**	49,782
Fire and property	**175,658**	195,742
Marine and aviation	**42,622**	48,586
General accidents	**134,538**	86,614
C.A.R.and engineering	**194,860**	24,579
Energy	**316,927**	659,475
Incurred but not reported (IBNR)	**690,717**	541,940
	1,575,909	1,606,718

28.2 Claims incurred but not reported
This represents additional provision as a result of actuarial valuation as at year end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
28.3 The movement in unearned premium during the year		
At 1 January	**2,155,848**	2,319,251
Premiums written in the year (Note 5)	**12,718,526**	11,120,684
Premiums earned during the year (Note 5)	**(12,488,771)**	(11,284,087)
At 31 December	**2,385,603**	2,155,848
29. Borrowings		
Convertible bond (Note 29.1)	**1,714,241**	1,250,580
29.1 Convertible bond		
At 1 January	**1,250,580**	1,152,429
Interest capitalised	**217,623**	39,080
Foreign exchange difference	**246,038**	59,071
At 31 December	**1,714,241**	1,250,580

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 2021 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.

	2021	2020
	₦'000	₦'000
30. Trade payables		
Deferred commission income (Note 30.1)	**373,096**	151,840
Due to reinsurance companies	**305,128**	302,153
	678,224	453,993
Current	**678,224**	453,993

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'000	₦'000
30.1 Deferred commission income		
At 1 January	**178,315**	154,641
Additions during the year	**914,516**	1,039,563
Credit to profit or loss (Note 6)	**(779,220)**	(1,015,889)
At 31 December	**313,611**	178,315

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

	2021	2020
31. Other payables and accruals		
Account payable	**-**	35,000
Pension payable	**-**	4,032
Accrued expenses (Note 31.2)	**28,531**	45,685
Unclaimed dividends	**46,444**	46,444
Withholding tax payable	**-**	1,380
VAT payable	**-**	13,108
Sundry creditors	**7,214**	468
	82,189	146,117
Current	**82,189**	146,117

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

31.2 Included in accrued expenses above are Nigerian Insurance Association payable, actuary fee, audit fee and other levies.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦'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)
	-	-

32.3 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.

33. Equity

33.1 Authorised and Issued and paid-up share capital

	2021	2020
Authorised share capital 15 billion (2020 : 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		
11,364,466,014 ordinary shares at ₦0.50k each		
At 1 January	**5,682,248**	5,682,248
At 31 December	**5,682,248**	5,682,248

	2021	2020
	₦'000	₦'000
33.2 Share premium		
At 1 January	**74,057**	116,843
Capital raising expenses	**-**	(42,786)
At 31 December	**74,057**	74,057
33.3 Contingency reserve		
At 1 January	**3,307,999**	2,974,378
Transfer from profit or loss	**381,556**	333,621
At 31 December	**3,689,555**	3,307,999

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.

	2021	2020
At 1 January	**390,560**	225,103
Revaluation gain during the year	**-**	236,367
Effect of deferred tax (Note 26.2)	**-**	(70,910)
At 31 December	**390,560**	390,560

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.

	2021	2020
At 1 January	**551**	14,213
Revaluation gain / (loss) during the year	**16,396**	(13,662)
At 31 December	**16,947**	551
33.6 Accumulated losses		
At 1 January	**(829,316)**	(1,183,394)
Profit or loss for the year	**974,734**	687,699
Transfer from profit or loss	**(381,556)**	(333,621)
At 31 December	**(236,138)**	(829,316)

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

	2021	2020
Gross cash and cash equivalents (Note 15)	**7,988,932**	7,285,691
Less: short-term deposits with banks and other financial institutions above 3 months	**(358,207)**	(554,150)
Cash and cash equivalents	**7,630,725**	6,731,541

	2021	2020
	₦'000	₦'000
35. Reconciliation of profit before tax to cash flows provided by operating activities:		
Profit before income tax	**885,757**	796,107
Adjustments for non-cash items:		
Fair value gain on quoted equities (Note 16.3)	**(23,695)**	(86,296)
Interest on borrowing (Note 29)	**217,623**	39,080
Interest expense on lease liabilities	**-**	379
Depreciation of property, plant and equipment (Note 24)	**183,593**	141,263
Amortisation of intangible assets (Note 22)	**920**	5,160
Amortisation of right-of-use assets	**15,750**	-
Movement in FVTOCI reserve	**21,132**	-
Realised gain on equities	**(195,732)**	(26,553)
Fair value gain on investment properties (Note 21)	**(1,065)**	(30,315)
Share of profit in associate (Note 20.1)	**(319)**	(3,886)
Credit loss expense/(reversal) (Note 12)	**(11,355)**	18,064
Unrealised exchange loss on foreign borrowing (Note 29)	**246,038**	59,071
Cash flow from operating profit before changes in operating assets and liabilities	**1,338,647**	912,074
Changes in operating assets and liabilities		
Increase in trade receivables	**(131,497)**	(216,685)
Decrease/(increase) in reinsurance assets	**370,747**	(672,350)
Decrease in other receivables and prepayments	**256**	16,608
(Increase)/decrease in deferred acquisition costs	**(94,306)**	27,244
Increase/(decrease) in trade payables	**224,231**	(257,168)
(decrease)/increase in other payables and accruals	**(63,928)**	68,735
(decrease)/increase in outstanding claims	**(30,809)**	601,986
Increase/(decrease) in unearned premium	**229,755**	(163,403)
Income tax paid	**(19,290)**	(15,682)
Witholding tax credit notes	**(98,090)**	-
Net cash flows from operating activities	**1,725,716**	301,359

	2021	2020
	₦'000	₦'000
36. Reclassification		
Certain reclassifications were made to the recorded figures of prior year to conform to this year's presentation.		
Below are the reclassifications.		
37. Employees and Directors		
37.1 Employees		
37.1.1 Compenstation for the staff are as follows:		
Wages and salaries	**73,818**	71,284
Defined contribution pension	**34,104**	37,025
	107,922	108,309
37.1.2 Average number of persons employed during the year by category:	**Number**	**Number**
Executive directors	**3**	3
Management	**30**	17
Non-management	**137**	137
	170	157
37.1.3 Number of employees whose emoluments during the year, fell within the ranges shown below:		
Less than N500,000	**-**	-
N500,000 – N1,000,000	**6**	13
N1,000,000 and above	**164**	144
	170	157
	₦'000	₦'000
37.2 Directors		
37.2.1 Directors' emoluments:		
The remuneration paid to directors are as follows:		
Executive compensation	**100,614**	65,262
Fees and sitting allowances	**19,125**	15,922
	119,739	81,184
Fees and other emoluments disclosed above include amounts paid to:		
The Chairman	**800**	800
The highest paid director	**39,691**	25,486
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**	8

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021	2020
			₦'000	₦'000
STI Leasing Ltd	Associate	Fund placement	-	150,973

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

	2021	2020
	₦'000	₦'000
38.3.1 Compensation of key management personnel		
Short term employee benefits	-	132,819
Post employment pension benefits	-	6,637
Total compensation of key management personnel	-	139,456

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

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.

	2021	2020
	₦'000	₦'000
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	**9,617,229**	8,626,099
Regulatory adjustments	**-**	-
Available capital resources	**9,617,229**	8,626,099
Minumum capital based required by regulator	**3,000,000**	3,000,000
Excess in solvency margin	**6,617,229**	5,626,099

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

39.3 The Solvency Margin for the Company as at 31 December 2021 is as follows:

	Admissible	Inadmissible	Total	2020
	₦'000	₦'000	₦'000	₦'000
Admissible assets				
Cash and cash equivalents	**7,982,828**	**-**	**7,982,828**	7,274,017
Fair value through profit and loss	**924,086**	**-**	**924,086**	421,473
Equity instrument at fair value through other comprehensive	**370,358**	**-**	**370,358**	44,519
Debt securities at amortised cost	**406,476**	**-**	**406,476**	99,141
Trade receivables	**884,015**	**-**	**884,015**	747,406
Reinsurance assets	**2,314,111**	**-**	**2,314,111**	2,684,186
Deferred acquisition cost	**394,242**	**-**	**394,242**	299,936
Other receivables and prepayments	**9,153**	**217,746**	**226,899**	8,876
Investments in associates	**92,131**	**-**	**92,131**	91,812
Investment properties	**1,000,000**	**14,708**	**1,014,708**	1,000,000
Right of use assets	**47,250**		**47,250**	63,000
Intangible assets	**1,844**	**-**	**1,844**	2,764
Property, plant and equipment	**118,157**	**1,169,465**	**1,287,622**	244,775
Statutory deposits	**315,000**	**-**	**315,000**	315,000
	14,859,651	**1,401,919**	**16,261,570**	13,296,905
Admissible liabilities				
Insurance liabilities	**3,961,511**	**-**	**3,961,511**	3,762,566
Borrowing	**1,714,241**	**-**	**1,714,241**	1,250,580
Lease liabilities	**19,869**	**-**	**19,869**	63,379
Trade payables	**678,224**	**-**	**678,224**	453,993
Other payables and accruals	**82,189**	**-**	**82,189**	146,117
Current income tax payable	**227,782**	**-**	**227,782**	390,097
Deferred tax liabilities	**-**	**96,368**	**96,368**	-
	6,683,817	96,368	6,780,185	6,066,732
Solvency margin	**8,175,834**			7,230,174
Minimum solvency required	**3,000,000**			3,000,000
Surplus	**5,175,834**			4,230,174
Solvency ratio (%)	**2.73**			2.41

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.

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

39.6 Insurance risk - cont'd
39.6.1 Claims Paid Triangulations as at 31 December 2021

	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	-	-	-	-	-	-	-	-
2021	161,220	116,717	4,485	311	49	-	-	-	-
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	-	-	-	-	-	-	-	-
2021	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	-	-	-	-	-	-	-	-

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

39.6 Insurance risk - cont'd
39.6.1 Claims Paid Triangulations as at 31 December 2021

	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	-	-	-	-	-	-	-	-
2021	139,973	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
2021	111,276	-	-	-	-	-	-	-	-

Claims Paid Triangulations as at 31 December 2021

	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	-	-	-	-	-	-	-	-
2021	15,016	-	-	-	-	-	-	-	-

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

	2021			2020		
	Gross liabilities ₦'000	**Reinsurance share of laibilities ₦'000**	**Net liabilities ₦'000**	Gross laibilities ₦'000	Reinsurance share of laibilities ₦'000	Net liabilities ₦'000
Accident	**271,880**	**(160,187)**	**111,693**	149,782	(96,957)	52,825
Engineering	**277,140**	**(92,047)**	**185,093**	123,743	(70,842)	52,901
Fire	**310,416**	**(208,808)**	**101,608**	315,921	(273,915)	42,006
Marine	**163,485**	**(56,206)**	**107,279**	218,372	(103,564)	114,808
Motor	**108,569**	**-**	**108,569**	90,018	-	90,018
Oil & Gas	**444,419**	**(300,498)**	**143,921**	708,882	(640,533)	68,349
	1,575,909	**(817,746)**	**758,163**	1,606,718	(1,185,811)	420,907

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.

Credit exposure
The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 2020 is the carrying amounts as presented

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 2021				
Debt securities (Loans)	**-**	**-**	**2,319**	**2,319**
Other receivables	**-**	**-**	**190,772**	**190,772**
Statutory deposit	**-**	**315,000**	**-**	**315,000**
Debt securities (Bonds)	**181,939**	**152,449**	**-**	**334,388**
	181,939	**467,449**	**193,091**	**842,479**
Trade receivables	**884,015**	**-**	**-**	**884,015**
Cash and cash equivalents	**7,988,932**	**-**	**-**	**7,988,932**
	9,054,886	**467,449**	**193,091**	**9,715,426**
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)	35,980	62,672	-	98,652
	35,980	377,672	206,661	620,313
Trade receivables	747,406	-	-	747,406
Cash and cash equivalents	7,285,691	-	-	7,285,691
	8,069,077	377,672	206,661	8,653,410

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	Non-investment grade	Non-investment grade	Past due but not impaired	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
At 31 December 2021					
Other receivables	**-**	**190,772**	**-**	**-**	**190,772**
Statutory deposit	**315,000**	**-**	**-**	**-**	**315,000**
Debt securities	**413,692**	**-**	**-**	**-**	**413,692**
Trade receivables	**884,015**	**-**	**-**	**-**	**884,015**
Cash and cash equivalents	**7,988,932**	**-**	**-**	**-**	**7,988,932**
	9,601,639	190,772	-	-	9,792,411
As 31 December 2020					
Other receivables	-	198,967	-	-	198,967
Statutory deposit	315,000	-	-	-	315,000
Debt securities	106,357	-	-	-	106,357
Trade receivables	747,406	-	-	-	747,406
Cash and cash equivalents	7,274,017	-	-	-	7,274,017
	8,442,780	198,967	-	-	8,641,747

Age analysis of financial assets past due but not impaired

	<30 Days	31 to 60 days	61 to 90 days	Total past due but not impaired
	₦'000	₦'000	₦'000	₦'000
At 31 December 2021				
Trade receivables	**884,015**	**-**	**-**	**884,015**
	884,015	**-**	**-**	**884,015**
At 31 December 2020				
Trade receivables	747,406	-	-	747,406
	747,406	-	-	747,406

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021							
Financial assets:							
Other receivables	190,772	190,772	-	-	-	-	190,772
Debt securities at amortised cost	-	413,692	-	-	-	-	413,692
Statutory deposit	315,000	-	-	-	-	315,000	315,000
Trade receivables	884,015	884,015	-	-	-	-	884,015
Cash and cash equivalents	7,982,828	7,982,828	-	-	-	-	7,982,828
Total financial assets	9,372,615	9,471,307	-	-	-	315,000	9,786,307
Financial liabilities							
Insurance contract liabilities	3,961,511	3,961,511	-	-	-	-	3,961,511
Borrowing	1,714,241	-	1,714,241	-	-	-	1,714,241
Trade payables	678,224	678,224	-	-	-	-	678,224
Other payables	82,189	82,189	-	-	-	-	82,189
Total financial liabilities	6,436,165	4,721,924	1,714,241	-	-	-	6,436,165
Total liquidity gap	2,936,450	4,749,383	(1,714,241)	-	-	315,000	3,350,142

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 2020							
Financial assets:							
Other receivables	198,967	198,967	-	-	-	-	198,967
Debt securities at amortised cost	106,357	106,357	-	-	-	-	106,357
Statutory deposit	315,000	-	-	-	-	315,000	315,000
Trade receivables	747,406	747,406	-	-	-	-	747,406
Cash and cash equivalents	7,285,691	7,285,691	-	-	-	-	7,285,691
Total financial assets	8,653,421	8,338,421	-	-	-	315,000	8,653,421
Financial liabilities							
Insurance contract liabilities	3,762,566	3,762,566	-	-	-	-	3,762,566
Borrowing	1,250,580	-	1,250,580	-	-	-	1,250,580
Trade payables	453,993	453,993	-	-	-	-	453,993
Other payables	146,117	146,117	-	-	-	-	146,117
Total financial liabilities	5,613,256	4,362,676	1,250,580	-	-	-	5,613,256
Total liquidity gap	3,040,165	3,975,745	(1,250,580)	-	-	315,000	3,040,165

SOVEREIGN TRUST INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	31 December 2021			31 December 2020		
	Current ₦'000	Non-current ₦'000	Total ₦'000	Current ₦'000	Non-current ₦'000	Total ₦'000
Assets						
Cash and cash equivalents	**7,982,828**	**-**	**7,982,828**	7,274,017	-	7,274,017
Investment securities	**1,700,920**	**-**	**1,700,920**	565,133	-	565,133
Trade receivables	**884,015**	**-**	**884,015**	747,406	-	747,406
Reinsurance assets	**2,314,111**	**-**	**2,314,111**	2,684,186	-	2,684,186
Deferred acquisition costs	**394,242**	**-**	**394,242**	299,936	-	299,936
Other receivables and prepayments	**226,899**	**-**	**226,899**	227,155	-	227,155
Investment in associate	**-**	**92,131**	**92,131**	-	91,812	91,812
Investment properties	**-**	**1,014,708**	**1,014,708**	-	1,013,643	1,013,643
Intangible assets	**-**	**1,844**	**1,844**	-	2,764	2,764
Right of use assets	**-**	**47,250**	**47,250**	-	63,000	63,000
Property and equipment	**-**	**1,423,466**	**1,423,466**	-	1,549,186	1,549,186
Statutory deposit	**-**	**315,000**	**315,000**	-	315,000	315,000
Total assets	**13,503,015**	**2,894,399**	**16,397,414**	11,797,833	3,035,405	14,833,238
Liabilities						
Insurance contract liabilities	**3,961,511**	**-**	**3,961,511**	3,762,566	-	3,762,566
Borrowing	**1,714,241**	**-**	**1,714,241**	1,250,580	-	1,250,580
Trade payables	**678,224**	**-**	**678,224**	453,993	-	453,993
Other payables and accruals	**82,189**	**-**	**82,189**	146,117	-	146,117
Lease liabilities	**-**	**19,869**	**19,869**	-	63,379	63,379
Current income tax payable	**227,782**	**-**	**227,782**	390,097	-	390,097
Deferred tax liabilities	**-**	**96,368**	**96,368**	-	140,408	140,408
Total liabilities	**6,663,947**	**251,154**	**6,780,185**	6,003,353	251,154	6,207,140

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 and 2020. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

	2021				
	Naira	**Dollars**	**Pounds**	**Euros**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets					
Cash and cash equivalents	**4,275,359**	**3,703,285**	**1,582**	**2,602**	**7,982,828**
Investment securities	**1,700,920**	**-**	**-**	**-**	**1,700,920**
Trade receivables	**884,015**	**-**	**-**	**-**	**884,015**
Reinsurance assets	**2,314,111**	**-**	**-**	**-**	**2,314,111**
Other receivables	**187,361**	**-**	**-**	**-**	**187,361**
Total assets	**9,361,766**	**3,703,285**	**1,582**	**2,602**	**13,069,235**
Liabilities					
Insurance contract liabilities	**3,961,511**	**-**	**-**	**-**	**3,961,511**
Borrowings	**-**	**1,714,241**	**-**	**-**	**1,714,241**
Trade payables	**678,224**	**-**	**-**	**-**	**678,224**
Other payables	**53,658**	**-**	**-**	**-**	**53,658**
Total liabilities	**4,693,393**	**1,714,241**	**-**	**-**	**6,407,634**
Net exposure	**4,668,373**	**1,989,044**	**1,582**	**2,602**	**6,661,601**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	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	747,406	-	-	-	747,406
Reinsurance assets	2,684,186	-	-	-	2,684,186
Other receivables	198,173	-	-	-	198,173
Total assets	9,721,171	1,745,385	1,281	1,078	11,468,915
Liabilities					
Insurance contract liabilities	3,762,566	-	-	-	3,762,566
Borrowings	-	1,250,580	-	-	1,250,580
Trade payables	453,993	-	-	-	453,993
Other payables	100,432	-	-	-	100,432
Total liabilities	4,316,991	1,250,580	-	-	5,567,571
Net exposure	5,404,180	494,805	1,281	1,078	5,901,344

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 2020: 10%) with all other variables held constant.

Foreign currencies effect of 8% (31 December 2020: 10%) up or (down) movement on profit before tax and statement of financial position size (in thousands of Naira)

	2021	2020	**2021**	2020
	Change in variable		**₦'000**	**₦'000**
Dollars	8%	10%	**159,124**	39,584
Pounds	8%	10%	**127**	102
Euros	8%	10%	**208**	86
Dollars	-8%	-10%	**(159,124)**	(39,584)
Pounds	-8%	-10%	**(127)**	(102)
Euros	-8%	-10%	**(208)**	(86)

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.

	Change in variable		2021 Impact on profit before tax ₦'000	2021 Impact on equity (OCI) ₦'000	2020 Impact on profit before tax ₦'000	2020 Impact on equity (OCI) ₦'000
FVTPL	1%	5%	**9,241**	**-**	4,215	-
	-1%	-5%	**(9,241)**	**-**	(4,215)	-
FVTOCI	1%	5%	**-**	**3,704**	-	445
	-1%	-5%	**-**	**(3,704)**	-	(445)

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:

	2021 Gross liabilities ₦'000	2021 Re-insurance share of liabilities ₦'000	2021 Net liabilities ₦'000	2020 Gross liabilities ₦'000	2020 Re-insurance share of liabilities ₦'000	2020 Net liabilities ₦'000
Accident	**271,880**	**(160,187)**	**111,693**	221,879	(147,932)	73,947
Engineering	**277,140**	**(92,047)**	**185,093**	93,944	(51,689)	42,255
Fire	**310,416**	**(208,808)**	**101,608**	228,322	(176,866)	51,456
Marine	**163,485**	**(56,206)**	**107,279**	199,758	(122,243)	77,515
Motor	**108,569**	**-**	**108,569**	93,651	-	93,651
Oil & Gas	**444,419**	**(300,498)**	**143,921**	167,178	-	167,178
	1,575,909	**(817,746)**	**758,163**	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.

		2021			2020		
	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%**	**78,795**	**37,908**	**(40,887)**	80,336	21,045	(59,291)
Loss percentage	**-5%**	**(78,795)**	**(37,908)**	**40,887**	(80,336)	(21,045)	59,291
Inflation rate	**+1%**	**15,759**	**7,582**	**(8,177)**	16,067	4,209	(11,858)
Inflation rate	**-1%**	**(15,759)**	**(7,582)**	**8,177**	(16,067)	(4,209)	11,858
Discount rate	**+1%**	**15,759**	**7,582**	**(8,177)**	16,067	4,209	(11,858)
Discount rate	-1%	(15,759)	(7,582)	8,177	(16,067)	(4,209)	11,858

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Total assets representing insurance funds

	2021			2020
	Carrying amount	Policy-holders funds	Total	
	₦'000	₦'000	₦'000	₦'000
Insurance contract liabilities	**3,961,511**	**3,961,511**	3,961,511	3,762,566
Gross insurance fund	**3,961,511**	**3,961,511**	3,961,511	3,762,566
Deduct:				
Reinsurance assets	**(2,314,111)**	**(2,314,111)**	(2,314,111)	(2,684,186)
Net insurance fund	**1,647,400**	**1,647,400**	1,647,400	1,078,380
Represented by:				
Cash and cash equivalents:				
- Cash in bank	**4,895,488**	**4,895,488**	4,895,488	2,897,737
- Short term deposits	**3,093,444**	**3,093,444**	3,093,444	4,387,954
Equity instruments at fair value through profit or loss	**924,086**	**924,086**	924,086	421,473
Equity instrument at fair value through other comprehensive income	**370,358**	**370,358**	370,358	44,519
Debt securities at amortised cost	**406,476**	**406,476**	406,476	99,141
Total admissible assets	**9,689,852**	**9,689,852**	9,689,852	7,850,824
Surplus	**8,042,452**	**8,042,452**	8,042,452	6,772,444

	Motor	Fire and property	General accident	Marine and aviation	Oil and gas	Car and engineering	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
41. Segment information							
For the year ended 31 December 2021							
Gross premium written	2,351,529	2,042,448	935,736	1,104,907	4,466,370	1,771,425	12,672,415
Reinsurance inward	1,164	26,208	10,870	7,746	123	-	46,111
Changes in unexpired premium	309,331	(369,979)	(26,209)	4,390	(157,538)	10,250	(229,755)
Gross premium earned	2,662,024	1,698,677	920,397	1,117,043	4,308,955	1,781,675	12,488,771
Outward re-insurance premium	-	(2,318)	(167)	(6,849)	(3,282,426)	(12,479)	(3,304,239)
Treaty cession	-	(689,884)	(473,633)	(372,721)	-	(369,273)	(1,905,511)
Changes in unexpired outward premium	-	91,806	9,896	(38,087)	(6,850)	(59,446)	(2,681)
Net premium earned	2,662,024	1,098,280	456,493	699,386	1,019,679	1,340,477	7,276,340
Commission received	38,231	155,255	132,178	69,071	302,917	81,568	779,220
Total underwriting income	2,700,255	1,253,535	588,671	768,457	1,322,596	1,422,045	8,055,560
Gross claims paid	649,601	1,243,167	541,987	225,303	866,423	232,034	3,758,515
Gross liabilities at 31 December 2021	108,569	310,416	271,880	163,485	444,419	277,140	1,575,909
	758,170	1,553,583	813,867	388,788	1,310,842	509,174	5,334,424
Gross liabilities at 1 January 2021	(90,018)	(315,921)	(149,782)	(218,372)	(708,882)	(123,743)	(1,606,718)
Gross claim incurred	668,152	1,237,662	664,085	170,416	601,960	385,431	3,727,706
Reinsurance recoveries	-	(547,678)	(207,309)	(79,393)	(43,283)	(49,098)	(926,761)
Due from re-insurers at 31 December 2021	-	(208,808)	(160,187)	(56,206)	(300,498)	(92,047)	(817,746)
	-	(756,486)	(367,496)	(135,599)	(343,781)	(141,145)	(1,744,507)
Due from re-insurers at 1 January 2021	-	273,915	96,957	103,564	640,533	70,842	1,185,811
Gross recoveries	-	(482,571)	(270,539)	(32,035)	296,752	(70,303)	(558,696)
Net benefits	668,152	755,091	393,546	138,381	898,712	315,128	3,169,010
Net income	2,032,103	498,444	195,125	630,076	423,884	1,106,917	4,886,550
Underwriting expenses							
Amortised deferred acquisition costs	(603,060)	(171,574)	(37,820)	(281,170)	(79,448)	(308,982)	(1,482,054)
Other underwriting expenses	(315,664)	(180,440)	(61,600)	(128,770)	(205,549)	(98,639)	(990,662)
	(918,724)	(352,014)	(99,420)	(409,940)	(284,997)	(407,621)	(2,472,716)
Underwriting profit	1,113,379	146,430	95,705	220,136	138,887	699,296	2,413,834

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

41. Segment information (Cont'd)
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)	309,847	14,382	(17,843)	68,719	247,041	163,403
Gross premium earned	1,645,933	2,000,885	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	1,416,124	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	1,554,374	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	894,178	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	380,243	183,583	94,625	245,953	682,763	1,991,253

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 2021 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:

	2021	2020
	₦'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 2021

	2021		2020	
	₦'000	**%**	₦'000	%
Gross premium written	**12,718,526**		11,120,684	
Net claims expenses	**(3,169,009)**		(3,485,778)	
Premium ceded to reinsurance	**(5,212,431)**		(4,742,179)	
Other charges and expenses	**(3,045,454)**		(2,254,043)	
Fees and commission	**779,220**		1,015,889	
Investment income	**316,870**		448,197	
Value added	**2,387,722**	**100**	2,102,770	100
Applied as follow:				
In payment to employees				
Employee benefits expense	**935,897**	**39**	826,619	39
In payment to Government				-
As taxes	**(88,977)**	**(4)**	108,409	5
Retained in the business				
Depreciation	**183,592**	**8**	141,263	7
Amortization	**920**	**-**	5,160	
Contingency reserve	**381,556**	**16**	333,621	16
Profit for the year	**974,734**	**41**	687,698	33
Value added	**2,387,722**	**100**	2,102,770	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	2021	2020	2019	2018	2017
	₦'000	₦'000	₦'000	₦'000	₦'000
Statement of financial position					
Assets					
Cash and cash equivalents	**7,982,828**	7,274,017	7,141,882	5,241,513	3,400,291
Investment securities	**1,700,920**	565,133	407,288	499,471	975,422
Trade receivables	**884,015**	747,406	536,980	380,632	329,648
Reinsurance assets	**2,314,111**	2,684,186	2,021,507	1,872,344	2,500,761
Other receivables and prepayments	**226,899**	227,155	275,062	94,584	100,455
Investment in associate	**92,131**	91,812	87,926	81,434	71,178
Investment properties	**1,014,708**	1,013,643	973,328	1,128,638	1,161,581
Intangible assets	**1,844**	2,764	6,123	12,239	15,505
Deferred acquisition costs	**394,242**	299,936	327,178	226,893	439,068
Right of use assets	**47,250**	63,000	-	-	-
Property and equipment	**1,423,466**	1,549,186	1,326,152	1,468,679	1,386,862
Deferred tax assets	**-**	-	-	-	121,904
Statutory deposit	**315,000**	315,000	315,000	315,000	315,000
Total assets	**16,397,414**	14,833,236	13,418,426	11,321,427	10,817,675
Liabilities and equity					
Liabilities					
Insurance contract liabilities	**3,961,511**	3,762,588	3,324,005	3,088,838	3,260,519
Borrowing	**1,714,241**	1,250,580	1,152,429	973,360	861,919
Bank overdrafts	**-**	-	-	327,941	78,897
Trade payables	**678,224**	453,993	711,161	759,081	710,333
Other payables and accruals	**82,189**	146,092	77,357	128,910	180,132
Lease liabilities	**19,869**	63,379	-	-	-
Current income tax payable	**227,782**	390,097	159,455	108,451	71,739
Retirement benefit obligation	**-**	-	-	105,569	182,232
Deferred tax liabilities	**96,368**	140,408	207,413	8,922	-
Total liabilities	**6,780,185**	6,207,137	5,631,820	5,501,072	5,345,771
Equity					
Issued and paid-up share capital	**5,682,248**	5,682,248	5,682,248	4,170,412	4,170,412
Share premium	**74,057**	74,057	74,057	116,843	116,843
Contingency reserve	**3,689,555**	3,307,999	2,974,378	2,647,988	2,332,596
Revaluation reserve	**390,560**	390,560	225,103	225,103	225,103
Fair value reserve	**16,947**	551	14,213	20,394	4,949
Accumulated losses	**(236,138)**	(829,316)	(1,183,393)	(1,360,385)	(1,377,999)
Total equity	**9,617,229**	8,626,099	7,786,606	5,820,355	5,471,904
Total liabilities and equity	**16,397,414**	14,833,236	13,418,426	11,321,427	10,817,675
Statement of profit or loss					
Gross premium written	**12,718,526**	11,120,684	10,879,656	10,513,078	8,513,503
Gross premium earned	**12,488,771**	11,284,087	10,714,266	10,338,077	8,300,968
Profit before income tax	**885,757**	796,108	819,011	540,554	202,694
Profit after income tax	**974,734**	687,699	503,382	344,236	157,869
Per 50k share data (kobo)					
Earnings per share - basic & diluted	**11.34**	8.00	5.86	4.13	1.89