

STERLING ASSURANCE NIGERIA LIMITED

RESTATED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER , 2023.

STERLING ASSURANCE NIGERIA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2023.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.CORPORATE INFORMATION

	PROF. T.A.J. OGUNBIYI (Retired on 31st December, 2023)	CHAIRMAN
	DR. F. K. LAWAL (Retired on 31st December, 2023)	MANAGING DIRECTOR/CEO
	MR. A. A. AKINGBADE (Retired on 31st December, 2023)	EXECUTIVE DIRECTOR
	MR S.A. ADEGBESAN (Retired on 31st March, 2023)	EXECUTIVE DIRECTOR
	MRS. A. FATADE (Retired on 31st December, 2023)	NON-EXECUTIVE DIRECTOR
	MRS. A. SUBAIR (Retired on 31st December, 2023)	NON-EXECUTIVE DIRECTOR
	DR. F. K. LAWAL (Appointed on 1st January, 2024)	CHAIRMAN (Ag)
	DR. S. A. ALAO	INDEPENDENT DIRECTOR
SECRETARIES:	NIGERIAN NOMINEES LIMITED 8/9, MUSON CENTRE, ONIKAN, LAGOS, NIGERIA FRC/2019/00000012948	
REGISTERED OFFICE:	284, IKORODU ROAD, ANTHONY LAGOS, NIGERIA.	
BRANCHES:	(a) PREMIUM HOUSE (2 ND FLOOR), MAGAZINE ROAD, JERICO IBADAN (b) 22, KOFODIRUA STREET, BEHIND UBA PLC, WUZE ZONE 2, ABUJA (c) 2, IKWERE ROAD, PORT-HARCOURT, RIVERS STATE. (d) KEN PLAZA, 229 JAKPA ROAD, EFFUNRUN, WARRI, DELTA. (e) 37, NIGER STREET, UNION BANK BUILDING, (1 ST FLOOR), KANO. INTERCITY ROAD, MOGADAGASHI LAYOUT, OFF (f) AHMADU BELLO WAY, KADUNA. (g) 11, MTN BUILDING, BESIDE CAPTAIN COOK, IYIN ROAD, ADO EKITI, EKITI STATE. (h) 10, AHMADU BELLO WAY, ADAMA BOLA SA' AD HOUSE, GRA ILORIN, KWARA STATE. (i) 3 RD FLOOR, INVESTMENT HOUSE (BESIDE UAC) MARINA, LAGOS.	
PRINCIPAL BANKERS:	ACCESS BANK PLC FIRST CITY MONUMENT BANK PLC	
AUDITORS:	T. A. BALOGUN & CO. CHARTERED ACCOUNTANTS 221, IKORODU ROAD LAGOS, NIGERIA. FRC/2014/ICAN 00000008630	
ACTUARIES	O & A HEDGE ACTUARIAL CONSULTING (FRC/2019/00000012909) SUITE 28, MOTORWAYS CENTRE, ALAUSSA IKEJA, LAGOS. FRC/2016/NAS/00000015764	
ESTATE VALUER	NDUBUISI MORDI & ASSOCIATES (FRC/2019/00000013011) 94A, CEMETERY STREET, EBUTTE-METTA, LAGOS. FRC/2013/NIESV/00000004196	

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023

FINANCIAL HIGHLIGHTS

Profit or Loss and Other Comprehensive Income For the year ended 31 December	2023 N'000	2022 Restated N'000	Changes N'000	% Changes
Gross written premium	5,932,254	4,929,908	1,002,346	20.33
Insurance revenue	5,041,051	4,966,565	74,486	1.50
Insurance service expenses	(3,437,918)	(2,791,492)	(646,425)	23.16
Net income/(expenses) from reinsurance contracts	(962,747)	(870,261)	(92,486)	10.63
Insurance service result	640,387	1,304,812	(664,425)	(50.92)
Interest revenue calculated using the effective interest Method	248,102	90,519	157,584	174.09
Net realised gain	1,305,843	476,733	829,110	173.92
Net credit impairment losses	(192,459)	(453,510)	261,051	(57.56)
Net insurance finance result	(15,879)	(21,036)	5,157	(24.52)
Net insurance and investment result	1,985,994	1,397,517	588,477	42.11
Other Income	25,762	116,362	(90,601)	(77.86)
Other Operating Expenses	(1,217,451)	(911,914)	(305,537)	33.50
Profit/(Loss) before Tax	794,305	601,965	192,340	31.95
Income Tax Expense	(213,238)	(92,686)	(120,552)	130.06
Profit/(Loss) for the year	581,068	509,279	71,788	14.10
Other comprehensive income/(loss)	202,978	(12,926)	215,904	(1,670.31)
Total comprehensive (loss)/income for the year	784,046	496,353		
Per share data (kobo)				
Earnings	7.15	6.26	0.88	14.10
Statement of Financial Position As at 31 December.	2023	2022		
ASSETS	N'000	Restated N'000	Changes N'000	% Changes
Cash and Cash Equivalents	1,507,989	1,103,840	404,149	36.61
Financial assets at FVOCI	2,452,004	1,264,798	1,187,206	93.87
Financial assets at Amortized cost	235,136	267,653	(32,517)	(12.15)
Trade Receivables	176,915	223,559	(46,644)	(20.86)
Reinsurance Assets	1,810,266	1,035,015	775,251	74.90
Other Receivables and Prepayments	150,628	271,590	(120,962)	(44.54)
Investment Properties	1,430,000	1,430,000	-	-
Property, Plant and Equipment	938,797	880,529	58,268	6.62
Statutory Deposit	300,150	300,150	-	-
Total Assets	9,001,884	6,777,134		
LIABILITIES				
Insurance Contract Liabilities	2,176,599	903,727	1,272,872	140.85
Trade Payables	79,773	73,810	5,963	8.08
Other technical liabilities	-	24,812	(24,812)	(100.00)
Provisions and Other Payables	95,976	102,777	(6,801)	(6.62)
Retirement Benefit Obligations	254,892	226,790	28,102	12.39
Current Income Tax Liabilities	234,825	89,660	145,165	161.91
Deferred Tax Liabilities	110,000	89,784	20,216	22.52
Total Liabilities	2,952,064	1,511,360		
EQUITY				
Paid-up Share Capital	4,064,789	4,064,789	-	-
Share Premium	70,393	70,393	-	-
Statutory Contingency Reserve	1,749,813	1,598,581	151,232	9.46
Retained Earnings/(Accumulated Losses)	(261,739)	(691,575)	429,836	(62.15)
Other Reserves	(94,547)	(59,623)	(34,924)	58.57
Fair- value Reserves	209,691	25,267	184,424	729.90
Revaluation Reserves	311,419	257,941	53,478	20.73
Total Equity	6,049,820	5,265,774		
Total Liabilities and Equity	9,001,885	6,777,134		

REPORT OF THE DIRECTORS**FOR THE YEAR ENDED 31 DECEMBER, 2023.****1. REPORT**

The Directors forward to the members herewith the audited accounts for the year ended 31 December, 2023.

2. RESULT

	2023 N'000	2022 N'000
Insurance service result	640,387	1,304,812
Net insurance and investment result	1,985,994	1,397,517
Profit/(Loss) before Tax	794,305	601,965
Profit/(Loss) for the year	581,068	509,279
Total comprehensive (loss)/income for the year	784,046	496,353

3. PRINCIPAL ACTIVITY

The Company's principal activity is the provision of Non-Life Insurance Bussiness.

4. DIRECTORS

The Directors during the year and their respective Shareholdings are:-

	2023 Units (000)	2022 Units (000)
Prof. T.A.J. Ogunbiyi-Chairman (Retired on 31.12/2023)	76,525	76,525
Dr. F. K. Lawal-Chairman (Appointed on 01/01/2024)		
Dr. F. K. Lawal-Managing Director/CEO (Retired on 31/12/2023)	54,191	54,191
Mr. A. A. Akingbade-Managing Director/CEO (Retired on 31/12/2023)	-	-
Mr. S. A. Adegbesan-Executive Director (Retired on 31/03/2023)	-	-
Mrs. A. Fatade-Non-Executive Director (Retired on 31/12/2023)	20,000	20,000
Mrs. A. Subair-Non-Executive Director (Retired on 31/12/2023)	-	-
Dr. S. A. Alao-Independent Director	-	-

	2023		2022	
Major Shareholding	No of shares	% holding	No of shares	% holding
Substantial shareholdings (5% and above) in the Company's Shares	Units (000)		Units (000)	
Thorburn Investments Limited	3,126,072	38.45	3,126,072	38.45
Hogg Robinson Nigeria Limited	700,000	8.61	700,000	8.61
Royal Exchange Assurance (Nig) - Life Fund	645,833	7.94	645,833	7.94
Core Trust Investment Ltd	487,250	5.99	487,250	5.99
NLPC	450,000	5.54	450,000	5.54

5. STAFF

The number of staff presently in empolymnet is:

	2023	2022
Executive directors	3	3
Management staff	8	8
Non-management staff	83	83

REPORT OF THE DIRECTORS**FOR THE YEAR ENDED 31 DECEMBER, 2023. (CONT'D)****6. DONATIONS**

No donation was made to any political party during the year.

7. EMPLOYMENT AND EMPLOYEES

The Company's employment policy gives equal opportunities to everyone, regardless of gender and any form of disability.

8. HEALTH, SAFETY AND WELFARE OF EMPLOYEES AT WORK

Health and safety regulations are in force within the premises of the Company. The Company provides or subsidises transportation, lunch and medical facilities to all levels of employees. Employees also benefit from the Company through its gratuity scheme.

9. RELATIONSHIP WITH SHAREHOLDERS

The Annual General Meeting is the highest decision making of the Company and it is conducted in a transparent and fair manner.

The Board places a high premium on effective communication with the Shareholders. This is achieved through the medium of annual report and meetings. The Board also welcomes participation of all Shareholders at the Annual General Meeting during which Shareholders are able to ask questions that need clarifications from the Directors.

10. AUDITORS

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020, Messrs T. A. Balogun & Co. Chartered Accountants, having indicated their willingness, will continue in office as Auditors. A resolution will be proposed at the next Annual General Meeting authorising the Board to fix their remuneration.

11. COMPLIANCE WITH THE NIGERIAN CODE OF CORPORATE GOVERNANCE

The Directors confirm that they have reviewed the structure and activities of the Company in view of the Nigerian Code of Corporate Governance for the Insurance Industry in Nigeria published in March 17, 2021. The directors confirm that the Company has substantially complied with the provisions of the Nigerian Code of Corporate Governance with regards to matters stated therein concerning the Board of Directors, the Shareholders and the Audit Committee.

LAGOS, NIGERIA

BY ORDER OF THE BOARD

....., 2024.


NIGERIAN WOMEN'S LIMITED
S E C R E T A R I E S
FRC/2018/IODN/00000018994

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023*****STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023***

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2020, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the Company:

- i. 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, CAP C20 Laws of the Federation of Nigeria 2020;
- ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

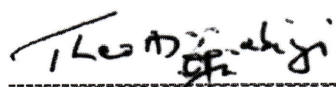
The Directors accept responsibility for the preparation and fair presentation of the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2020, Insurance Act 2003 and Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit. 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.

The directors have made an 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 year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:


Dr. Fatai. K. Lawal
FRC/2013/CIIN/00000003330
18th April, 2024



Prof. T.A.J. Ogunbiyi
FRC/2014/IODN/00000006925
18th April, 2024

STERLING ASSURANCE NIGERIA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2023

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REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2023

To the members of Sterling Assurance Nigeria Limited:

In accordance with the provision of Section 404 (7) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2020, the members of the Audit Committee of Sterling Assurance Nigeria Limited hereby report as follows:

- i. We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- ii. We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2023 were satisfactory and reinforce the Company's internal control systems.
- iii. 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.



Dr. S. A. Alao
Chairman, Audit Committee
FRC/2019/CIIN/00000019421
Lagos, Nigeria.
18th April, 2024

Members of the Audit Committee

- (i). Dr. S. A. Alao. - Chairman
- (ii). Mrs. A. Subair - Member (Retired)

Independent Auditor's Report

To the Members of Sterling Assurance Nigeria Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sterling Assurance Nigeria Limited ("the Company"), which comprise the statements of financial position as at 31 December 2023, and statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Company as at 31 December 2023, and its financial performance and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM), and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

The Key Audit Matters apply equally to the audit of the financial statements

Key Audit Matter

1. Valuation of insurance contract liabilities

The Company has material insurance contract liabilities of

¥2.176 billion (2022: ¥0.9.3billion) representing 74% (2022: 60%) of the Company's total liabilities. Actuarial valuation of these insurance contract liabilities is an area that involves significant judgment over uncertain future outcomes and therefore was an area of significance to our audit.

The Company reviews its unexpired risk at reporting date. Provision for reported claims is 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 involve judgment and economic assumptions.

Consistent with the insurance industry practice and regulatory guideline, the Company engaged an independent actuary to test the adequacy of the valuation of insurance contract liabilities as at year-end. The complexity of the valuation models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.

Economic assumptions such as interest rates and future inflation rates and actuarial assumptions such as customer behaviour and uniform risk occurrence throughout the period are key inputs used to determine these liabilities. Significant judgement is applied in setting these assumptions and small changes in a number of these key assumptions could have a material impact on the calculation of the liabilities.

How the matters were addressed in the audit

1. We performed, amongst others, the following audit procedures with the support from our internal actuarial specialists:

- obtained and documented our understanding of the Company's basis of valuation;
- agreed schedules to the general ledger and test the completeness and accuracy of the subledgers;
- reviewed the accuracy of contract classifications for reporting under IFRS 17 Insurance Contracts;
- reviewed data items used as inputs (premium data and claims data) to valuation or valuation models, including those involved in retrospective and prospective liability calculations;
- reviewed and confirmed the appropriateness of disclosures made in the financial statements as regards insurance contract;
- reviewed the policy and methodology papers;
- reviewed consistency and accuracy of administration of claims and any other accounting data;
- reviewed the reasonability of the assumptions and methodology used in the calculation of the statutory reserves at 31 December 2023 with reference to relevant legislation, professional guidance, and actuarial best practice;
- evaluated the appropriateness of discount rates used as part of the liability for incurred claims/reinsurance amount recoverable on incurred claims calculations;
- verified that the discount rates have been appropriately applied within the calculation of the liability for incurred claims;
- reviewed the accuracy of data items used as inputs (premium data, claims data, assumptions etc.) to valuations or valuation models, including those involved in retrospective and prospective liability calculations;
- verified the accuracy of contract classifications for reporting under IFRS 17 Insurance Contracts;
- verified claims/reinsurance amount recoverable on incurred claims; and
- verified that the risk adjustment factors determined for the liability for incurred claims/reinsurance amount recoverable on incurred claims have been appropriately applied within the calculation of the liability for incurred claims/reinsurance amount recoverable on incurred claims.

2. Disclosure of the impact of the adoption of International Financial Reporting Standards (IFRS) 17 Insurance contracts
Effective 1 January 2023, the Company transitioned to IFRS 17: 'Insurance Contracts' which replaced the existing standard for insurance contracts, IFRS 4 'Insurance Contracts'.

The disclosure of the impact of the adoption of IFRS 17 is a key audit matter as this is a new and complex accounting standard which has required considerable judgment and assumptions in its implementation, and introduced a number of significant changes, including new requirements regarding the measurement and presentation of insurance contracts and related account balances and classes of transactions.

We focused on the significant judgments and assumptions applied in determining the following:

- Transition Approach
- Accounting policies
- Methodology used to determine discount rates at transition date
- The methodology adopted and key assumptions employed to recalibrate and restate the figures previously reported.

How the matters were addressed in the audit

We performed, amongst others, the following audit procedures:

- Gained a detailed understanding of the process to estimate the transitional adjustments and obtained an understanding of relevant controls.
evaluated the appropriateness of key technical accounting decisions, judgments, assumptions and elections made in determining the estimate against the requirements of the standard.
- reviewed management's documentation of the transition approach for groups of insurance contracts at transition date. Where management applied the fair value approach instead of full retrospective approach, we assessed the reasonableness of management's justification that retrospective application is impracticable for those group of insurance contracts.
- Tested the IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" disclosures related to the transition impact and reconciled the disclosed impact to underlying accounting records.

3. Valuation of Investment Properties (Note 11)

We focused on this area due to the size of the investment property balance and because the assessment of the value of the property involves judgment about the future cash flows from the property, the growth rate and the discount rate applicable to future cash flows

This matter is considered a key audit matter in the financial statements.

How our audit addressed the key audit matter?

We reviewed the valuation methodology to confirm consistency with previous years.

The discount and growth rates applied within the model were assessed for reasonableness by comparing to available market and economic information.

We assessed the competence, independence and objectivity of management's External Valuation Experts.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Sterling Assurance Nigeria Limited Annual Report & Accounts for the year ended 31 December 2023", which includes Corporate Information, Results at a Glance – The Company, Results at a Glance – The Company, Shareholding structure and free float status, Directors' Report, Report of the Statutory Audit Committee, Corporate Governance Report, Statement of Directors' Responsibilities in Relation to the Preparation of the Financial Statements, Statement of Corporate Responsibility for the Financial Statements and Other National Disclosures. 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 express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM) and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, and Section 28(2) of the Insurance Act 2003, we confirm that:

- 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;
- In our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;
- The statements of financial position and the statements of profit or loss and other comprehensive income are in agreement with the books of account; and
- In our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.

Tajudeen Balogun
FRC/2014/PRO/ICAN/004/00000008630
For: T. A. Balogun & Co.
Chartered Accountants

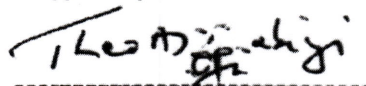
18 APRIL, 2024.



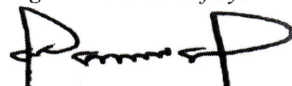
STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER, 2023**

		31-Dec-2023	31-Dec-2022	1-Jan-2022
			Restated	Restated
ASSETS	Notes	N'000	N'000	
Cash and Cash Equivalents	6	1,507,989	1,103,840	733,593
Financial assets at FVOCI	7	2,452,004	1,264,798	1,067,642
Financial assets at Amortized cost	7	235,136	267,653	335,639
Trade Receivables	8	176,915	223,559	275,537
Reinsurance contract assets	9	1,810,266	1,035,015	1,370,712
Other Receivables and Prepayments	10	150,628	271,590	235,553
Investment Properties	11	1,430,000	1,430,000	1,430,000
Property, Plant and Equipment	12	938,797	880,529	724,595
Statutory Deposit	13	300,150	300,150	300,150
Total Assets		9,001,884	6,777,134	6,473,421
LIABILITIES				
Insurance Contract Liabilities	14	2,176,599	903,727	756,092
Trade Payables	15	79,773	73,810	31,163
Other technical liabilities	15	-	24,812	-
Provisions and Other Payables	16	95,976	102,777	210,732
Retirement Benefit Obligations	17.2	254,892	226,790	227,048
Current Income Tax Liabilities	18.2	234,825	89,660	79,414
Deferred Tax Liabilities	18.3	110,000	89,784	86,738
Total Liabilities		2,952,064	1,511,360	1,391,187
EQUITY				
Paid-up Share Capital	19	4,064,789	4,064,789	4,064,351
Share Premium	19	70,393	70,393	70,393
Statutory Contingency Reserve	19	1,749,813	1,598,581	1,450,684
Retained Earnings	19	(261,739)	(691,575)	(739,705)
Other Reserves	19	(94,547)	(59,623)	(47,093)
Fair- value Reserves	19	209,691	25,267	25,663
Revaluation Reserve	19	311,419	257,941	257,941
Total Equity		6,049,820	5,265,774	5,082,234
Total Liabilities and Equity		9,001,884	6,777,134	6,473,421

The restated audited financial statements were produced after the Board of Directors approved financial statements on 18th April, 2024 and signed on its behalf by:



Prof. T.A.J. Ogunbiyi
Chairman
FRC/2014/IODN/00000006925



Dr. Fatai K. Lawal
Managing Director/CEO
FRC/2013/CIIN/00000003330



Sule O. Agboola
Head of Finance and Admin
FRC/2012/ICAN/00000000375

The accompanying notes form an integral part of these financial statements

STERLING ASSURANCE NIGERIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER, 2023.

	Notes	2023 N'000	2022 Restated N'000
Insurance revenue	20	5,041,051	4,966,565
Insurance service expenses	20	(3,437,918)	(2,791,492)
Net income/(expenses) from reinsurance contracts	20	(962,747)	(870,261)
Insurance service result		640,387	1,304,812
Interest revenue calculated using the effective interest Method	21	248,102	90,519
Net realised gain	22	1,305,843	476,733
Net credit impairment losses	23	(192,459)	(453,510)
Net Investment income		1,361,487	113,742
Finance expenses from insurance contracts issued	20	(33,315)	(38,845)
Finance income from reinsurance contracts held	20	17,436	17,809
Net insurance finance income/(expennse)		(15,879)	(21,036)
Net insurance and investment result		1,985,994	1,397,517
Other Income	23	25,762	116,362
Other finance costs	24	(24,959)	(23,472)
Other Operating Expenses	25	(1,192,492)	(888,443)
Profit/(Loss) before Tax		794,305	601,965
Income Tax Expense	18	(213,238)	(92,686)
Profit/(Loss) for the year		581,068	509,279
Other comprehensive income:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net fair value gain/(loss) on equity instruments at FVOCI		184,424	(396)
Actuarial gains (losses) on defined benefit pension plans		(34,924)	(12,530)
Gains on Property revaluation		53,478	-
Total other comprehensive income/(loss) for the year		202,978	(12,926)
Total comprehensive (loss)/income for the year, net of tax		784,046	496,353
Earnings per share (Kobo)			
Actual		7.15	5.37

The accompanying notes form an integral part of these financial

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER, 2023.**

	Issued Share Capital	Share Premium	Fair-value Reserves	Other Reserves	Revaluation Reserves	Contingency Reserves	Retained Earnings	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January, 2022	4,064,789	70,393	25,663	(47,093)	257,941	1,450,684	(416,068)	5,406,309
Impact of adopting IFRS 9 & IFRS 17	-	-	-	-	-	-	(323,637)	(323,637)
Impact of adopting IFRS 9 & IFRS 17	-	-	-	-	-	-	(313,252)	(313,252)
Restated opening balance under IFRS 9 & IFRS 17	4,064,789	70,393	25,663	(47,093)	257,941	1,450,684	(1,052,957)	4,769,420
Profit for the year	-	-	-	-	-	-	509,279	509,279
Changes in the valuation of gratuity	-	-	-	(12,530)	-	-	-	(12,530)
Changes in fair value of financial assets at FVOCI	-	-	(396)	-	-	-	-	(396)
Changes in the valuation of land & building	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	-	147,897	(147,897)	-
As at 31 December 2022	4,064,789	70,393	25,267	(59,623)	257,941	1,598,581	(691,575)	5,265,773
Balance as at 1 January, 2023	4,064,789	70,393	25,267	(59,623)	257,941	1,598,581	(691,575)	5,265,773
Profit for the year	-	-	-	-	-	-	581,068	581,068
Changes in the valuation of gratuity	-	-	-	(34,924)	-	-	-	(34,924)
Changes in fair value of financial assets at FVOCI	-	-	184,424	-	-	-	-	184,424
Changes in the valuation of land & building	-	-	-	-	53,478	-	-	53,478
Transfer to the contingency reserves	-	-	-	-	-	151,232	(151,232)	-
Balance at 31 December, 2023	4,064,789	70,393	209,691	(94,547)	311,419	1,749,813	(261,739)	6,049,820
	4,064,789	70,393	25,267	-	59,623	257,941	1,598,581	-
							691,575	

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 DECEMBER, 2023.**

	Notes	2023 N'000	2022 Restated N'000
Operating activities:			
Premiums received for insurance contract		5,932,254	4,929,908
Reinsurance premium paid during the year		(2,093,121)	(1,240,611)
Acquisition cashflows received		194,960	165,358
Acquisition cashflows paid		(1,623,087)	(1,620,181)
Claims and directly attributable expenses paid		(1,466,476)	(1,025,865)
Claims and other benefits received	9a	166,154	439,831
Other cashflow receipts/(payments)		52,338	(939,313)
Tax paid during the year	19.2	(47,857)	(79,394)
Net Cash Flow from Operating Activities (A)		1,115,165	629,733
Investing activities:			
Investment Income		266,156	103,105
Purchase of property, plant and equipment	12	(87,975)	(184,980)
Disposal of equity securities at fair value		-	5,436
Purchase of equity securities at fair value	7.2	(185,200)	(247,839)
Purchase of debt instrument measured at amortised cost		(20,000)	-
Purchase of debt instrument measured at FVOCI		(703,586)	-
Repayment of debt instrument measured at amortised cost		10,000	15,000
Financial Assets carried at fair value dispose		-	44,973
Proceeds from disposal of property, plant and equipment		1,881	-
Other Operating Income		7,708	347
Net Cash Flow from Investing Activities (B)		(711,016)	(263,957)
Financing activities			
Issued shares		-	438
Net Cash Flow from Financing Activities (C)		-	438
Net Increase / (Decrease) in cash and cash equivalents (a+b+c)		404,149	366,214
Cash and cash equivalent at the beginning of the year		1,103,840	737,626
Cash and cash equivalent at the end of the year		1,507,989	1,103,840

The accompanying notes form an integral part of these financial statements

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****1. Reporting Entity**

The Company, Sterling Assurance Nigeria Limited, formerly known as Whispering Hope Insurance Limited was incorporated as a Limited Liability Company on 11 October 1990 under the law of Nigeria and is subject to the Nigerian Insurance Act CAP 117 LFN 2004. The Company is licensed mainly to carry out Non – life insurance contracts. Its head office and registered office is at 284, Ikorodu Road, Lagos, Nigeria.

These Financial Statements were authorized for issue by the Board of Directors on 18th April, 2024.

1.1 Regulation

Sterling Assurance Nigeria Limited is regulated by the National Insurance Commission, NAICOM and all regulatory requirements and guidelines of the Commission are operative in accordance with provision of the Insurance Act 2003.

2. Basis of preparation and compliance with IFRS**2.1 Statement of Compliance**

These financial statements for the year 2023 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the IFRS's interpretation committee (IFRIC), the Insurance Act of Nigeria and the relevant National Insurance Commission (NAICOM) guidelines and circulars, Company and Allied Matters Act, CAP C20, LFN 2020, the Financial Reporting Council of Nigeria (Amendment) Act 2023 and other relevant statutes to the extent that they do not conflict with the provision of IFRSs.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items; which are measured on an alternative basis on each reporting date.

<i>Items</i>	<i>Measurement Bases</i>
Item of building (Property plant and equipment)	Revalued amount
Non-derivative financial asset at fair value through other comprehensive income	Fair value
Non-derivative financial asset at fair value through profit or loss	Fair value
Investment properties	Fair value
Insurance contract liabilities	Present value

2.3. Going Concern

The Company is a going concern entity with very profitable operations and ready access to financial resources. The management believes that the going concern assumption is appropriate for the company and there are no going concern threats to the operations of the company. These financial statements were prepared on a going concern basis.

2.4 Functional and presentation currency

These financial statements are prepared in Nigeria Naira which is the functional and presentation currency. Except as indicated, financial information presented in naira has been rounded to the nearest thousand.

2.5 Regulatory authority and financial reporting

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

- (i) Section 20 (1a) provides that provision for unexpired risk shall be calculated on a time apportionment basis of the risks accepted in the year.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

- (ii) Section 21 (2) of the Insurance Act, 2003, requires that the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium to cover fluctuations in securities and variation in statistical estimates.

3.0 Changes in accounting policies**New and amended standards and implementations**

The Company applies for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standards, interpretation and or amendment that has been issued but not yet effective.

A. Issued and Amended standards effective from periods beginning on or after 1 January 2023**(i) IFRS 17 – Insurance Contracts**

The IASB issued IFRS 17 Insurance Contracts in May 2017, a new comprehensive accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance contracts) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent in contrary to the requirements in IFRS 4, which are largely based on previous local accounting policies. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short duration contracts.

IFRS 17 is effective for 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. This standard has significantly changed how the Company measures, present and disclose its insurance contracts from the year 2023 and the Company has put adequate measures in place.

(ii) IAS 8 – Amendments to Definition of Accounting Estimates

This amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement technique and inputs to develop accounting estimates

The amendments are effective for reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendment does not have a material impact in the Company's financial statement.

(iii) IAS 1 – Amendments to Classification of liabilities as current or non-current

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for 3 right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is unlimited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The amendments also clarify how a company classifies a liability that includes a counter party conversion option, which could either be recognized as either equity or liability separately from the liability component under IAS 32 financial instruments: Presentation.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

(iv) IAS 12- Amendment to Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendment clarifies that the initial recognition exemption does not apply to transactions that gives rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.

The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

4. Foreign Currency**Foreign currency translation**

Transactions in foreign currencies are translated into Nigerian Naira at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the spot exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

- financial asset at fair value through other comprehensive income (OCI) (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- qualifying cash flow hedges to the extent that the hedges are effective.

5.0 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 years presented in these financial statements unless otherwise stated.

5.1 Cash and cash equivalents.

Cash and cash equivalents include cash in hand and bank, unrestricted balances held with a Central Bank, call deposits and short term highly liquid financial assets (bank deposits) with original maturities of about three months, which are subject to in significant risk of changes in their value and used by the Company in the management of its short-term commitments.

For the statement of cash flow, cash and cash equivalents consist of cash on hand; bank balances, fixed deposits,

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

and treasury bill within 90 days.

5.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.2.1 Recognition and initial measurement

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus (for financial liabilities), except for a financial asset or liability measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

5.2.2 Classification of financial instruments

The Company classifies its financial assets under IFRS 9, into the following measurement categories:

- Those to be measured at fair value through other comprehensive income (FVOCI) (either with or without recycling), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model (i.e., business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e., solely payments of principal and interest – SPPI test).

The Company also classifies its financial liabilities as liabilities at amortized cost. Management determines the classification of the financial instruments at initial recognition.

5.2.3 Subsequent measurements

The subsequent measurement of financial assets depends on its initial classification:

1. Debt instruments

Amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- *The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

The gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Investment income'.

Financial assets under the amortized cost classification (i.e., a business model whose objective is to collect the

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

contractual cash flows) can still be held as such even when there are sales within the portfolio as long as the sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

However, if more than an infrequent number of such sales are made from a portfolio and those sales are more than insignificant in value (either individually or in aggregate), the Company will assess whether and how such sales are consistent with an objective of collecting contractual cash flows.

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- *The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue, and foreign exchange gains and losses are recognized in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in net gains on investment securities while the cumulative impairment losses recognized in the OCI and accumulated in equity will be reclassified and credited to profit or loss. Interest income from these financial assets is determined using the effective interest method and recognized in profit or loss as 'Investment income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost. The expected credit loss model is described further in Note 5.2.6.

Fair value through profit or loss (FVTPL): Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in the fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the profit or loss and reported as 'Net fair value gain/(loss) in the period in which it arises. Interest income from these financial assets is recognized in profit or loss as 'Investment income'.

2. Equity instruments

The Company subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis at the initial recognition of the instrument. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as dividend income (under Investment income) when the Company's right to receive payments is established unless the dividend represents a recovery of part of the cost of the investment. All other financial assets are classified as measured at FVTPL. Changes in the fair value of financial assets at fair value through profit or loss are recognized in Net fair value gain/(loss) in the profit or loss.

In addition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This is done on initial recognition of the instrument.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Business model assessment**

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- (1). The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets, or realizing cash flows through the sale of the assets.
- (2). How the performance of the portfolio is evaluated and reported to management.
- (3). The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- (4). How managers of the business are compensated e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- (5). The frequency, volume, and timing of sales in prior periods, the reasons for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cashflows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal amount outstanding.

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements), and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. Directly attributable transaction costs on these instruments are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

5.2.4 Impairment of financial assets**a. Overview of the Expected Credit Losses (ECL) principles**

The Company recognizes an allowance for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments.
- Trade receivables and contract assets.
- Financial guarantees issued.

In this section, the instruments mentioned above are all referred to as 'financial instruments' or 'assets'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 months ECL) as outlined.

The 12 months ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2, Stage 3, and POCL,

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. The calculation of ECLs

The Company calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity per the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Company considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs, and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted assets are expected to be recovered, including the probability that the assets will be cured and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- **Stage 1:** The 12-month ECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default

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probabilities are applied to a forecast EAD multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- **Stage 2:** When an asset has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For assets considered credit-impaired, the Company recognizes the lifetime expected credit losses for these assets. The method is like that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d. Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognized in the fair value reserve in equity (through OCI).

e. Write-off

After a full evaluation of a non-performing exposure, if either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- Continued contact with the customer is impossible.
- Recovery cost is expected to be higher than the outstanding debt.
- Amount obtained from realization of credit collateral security leaves a balance of the debt or
- It is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs require endorsement by the Board, as defined by the Company. Credit write-off approval is documented in writing and properly initiated by the Board.

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such an amount recovered is recognized as income on a cash basis only.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****f. Forward looking information**

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Exchange rates
- Unemployment rates
- Inflation rates
- Crude oil price

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in the financial statements.

5.2.5 Fair value measurement - policy applicable for current and comparative periods

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

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

5.2.6 Derecognition of financial assets - policy applicable for current and comparative periods

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such derecognised asset financial asset that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

5.2. 7 Derecognition of financial liabilities - policy applicable for current and comparative periods

The Company derecognises financial liabilities when, and only when its contractual obligations are discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****5.2.8 Write off - policy applicable for current and comparative periods**

The Company writes off a financial asset (and any related allowances for impairment losses) when the Company determines that the assets are uncollectible. Financial assets are written off either partially or in their entirety. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss on financial assets.

However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of the amount due.

5.3 Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade and other receivables (where applicable) are recognised as they accrue.

5.4 Other receivables and prepayment

Other receivables are carried at amortised cost using the effective interest rate less accumulated impairment losses. Prepayments are carried at cost less accumulated amortization and are amortized on a straight line basis to profit or loss.

5.5 Trade payables

Trade payables are recognised when due and measured on initial recognition at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. Trade payables are recognised as financial liabilities.

5.6 Other payables and accruals

Other payables and accruals 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. Discounting is omitted for payables that are less than one year as the effect is not material. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Gains and losses are recognised in the profit or loss when the liabilities are derecognized. Other payables are recognised as other financial liabilities.

5.7 Investment Properties

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Investment properties are classified separately from other properties used for the business.

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Land and buildings comprise mainly outlets and offices occupied by the Company.

All categories of property, plant, and equipment (except freehold property) are initially recorded at cost. Subsequently, land and buildings are measured using a revaluation model at the end of the financial period. Any increase in the value of the assets is recognized in other comprehensive income and accumulated surplus unless the increase is to reverse a decrease in value previously recognized in profit or loss where the increase will be recognized in profit or loss. A decrease in the value of land and building as a result of revaluation will be recognized in profit or loss unless the decrease is to reverse an increase in value previously recognized in other comprehensive income whereby the decrease will be recognized in other comprehensive income.

(b) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment.

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

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale per IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Land	Nil
Building	50 years
Office furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment are derecognized at the disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included within other income in the Statement of Comprehensive Income.

If an investment property becomes owner-occupied, it is reclassified as property, plant, and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. If an item of property, plant, and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income as a revaluation of property, plant, and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. Upon the disposal of such investment property any surplus previously recorded in equity is transferred to retained earnings net of associated tax; the transfer is not made through profit or loss.

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Statutory deposit represents 10% of the minimum paid-up share capital of the Company deposited with the Central Bank of Nigeria (CBN) according to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

5.10. Insurance Contracts**A. Insurance contracts issued, and reinsurance contracts held.****Non-life insurance**

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include motor, property, marine, fire and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company accounts for these contracts applying the Premium Allocation Approach (PAA).

Reinsurance contracts

The Company holds facultative (excess of individual loss) reinsurance policies and quota share reinsurance contracts accounted for applying the PAA.

B. Definitions and classifications

Insurance products sold by the Company are classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Company considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The Company does not issue any contracts with direct participating features.

C. Combining a set or series of contracts

Sometimes, the Company enters two or more contracts at the same time with the same or related counterparties to achieve an overall commercial effect. The Company accounts for such a set of contracts as a single insurance contract when this reflects the substance of the contracts. When making this assessment, the Company considers whether:

- The rights and obligations are different when looked at together compared to when looked at individually.
- The Company is unable to measure one contract without considering the other.

D. Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non- insurance components). After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include distinct components that require separation.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****E. Level of aggregation**

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts.

Each portfolio is subdivided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied.

At initial recognition, the Company segregates contracts based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. Each cohort is then further disaggregated into three groups of contracts:

- Contracts that are onerous on initial recognition
- Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently
- Any remaining contracts

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new businesses.

For short term contracts accounted for applying the PAA, the Company determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Significant changes in external conditions including economic or regulatory changes.
- Changes to the organization or processes
- Changes in underwriting and pricing strategies
- Trends in experience and expected variability in cashflows.

Reinsurance contracts held are assessed for aggregation on an individual contract basis and are assessed separately from insurance contracts.

However, there are cases where a reinsurance contract covers separate and identifiable product lines which are only included in the same legal document for administrative convenience. These contracts have been separated into different components. Each reinsured line is managed separately and priced separately so they are treated as separate reinsurance contracts.

If two or more reinsurance contracts are written on a particular product line, these may be grouped together in the same portfolio as they will be

covering risks of the same nature and will be managed together. For example, the Surplus contracts (1&2) on Fire have been grouped together as they cover risks of the same nature and can be measured under the same measurement approach (PAA because they have a contract boundary of 1 year). While, facultative and excess of loss contracts are in separate groups; though they cover the same risks and are even managed together.

F. Recognition

Insurance contracts are recognised as at the date when the first payment is received by the policyholder. As the Company adheres to the statutory “no premium no cover”, the date premium is received from the policyholder will always be earlier or on the same date as the coverage period. This premium receipt date would then be used to separate

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the groups of insurance contracts into yearly cohorts. The contract groupings shall not be reassessed until they are derecognized.

As required by the standard, The Company will recognize contracts from the date at which they are determined to be onerous, if this occurs before premium payment or cover commencement.

G. Contract Boundaries

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

- Both of the following criteria are satisfied:
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognized. Such amounts relate to future insurance contracts.

H. Measurement of insurance contracts issued**1. General Model*****1.1 Insurance contracts - initial measurement***

The Company measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the Contractual Service Margin (CSM) representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Company considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future. The Company estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the Company includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums.
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs.
- Claim handling costs.
- Costs of providing contractual benefits in kind, such as home and vehicle repair

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- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services.
- Transaction-based taxes
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities.
- Other costs specifically chargeable to the policyholder under the terms of the contract.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts
- Historical data about the Company's own experience, supplemented, when necessary, with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way based on the passage of time.

The Company does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

Discount Rate

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognized in profit or loss at the end of each reporting period unless the Company has elected the accounting policy to present the time value of money separately in profit or loss and other comprehensive income. The Company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g., credit risk).

In determining discount rates for cash flows, the Company uses the 'bottom-up approach' to estimate discount rates starting from a risk-free rate with similar characteristics, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid FGN Bonds. The illiquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates.

Risk adjustment for non-financial risk

The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk.

The Company uses the cost of capital method in estimating the risk adjustment. The level of capital and the cost of capital rate that feed this estimation technique are calibrated from the Company economic capital's approach within which the Company estimates the impact of non-financial risks. The economic capital approach includes a quantitative measure of the Company's risk appetite which allows a specific measure of the Company's non-financial risk and the degree of its risk aversion for financial reporting purposes. The Company's economical capital approach, and the risk adjustment calculation derived from it, include the benefits of diversification at the issuing entity level.

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This is allocated to all the Company insurance contracts.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Company will recognize as it provides insurance contract services over the coverage period.

At initial recognition, the Company measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognized in profit or loss arising from:

- The expected fulfilment cash flows of the group.
- The amount of any derecognized asset for insurance acquisition cash flows allocated to the group.
- Any other asset or liability previously recognized for cash flows related to the group.
- Any cash flows that have already arisen on the contracts as of that date.

If a group of contracts is onerous, the Company recognizes a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognized for any loss on initial recognition of the group of insurance contracts.

The Company determines at initial recognition the group's coverage units and then allocates the group's CSM based on the coverage units provided in the period.

Insurance acquisition cash flows

The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Company estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio and then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Deferred acquisition costs (DAC)

Under IFRS 4, the Company recognised deferred acquisition cash flows separately as assets. Under IFRS 17, insurance acquisition cash flows are allocated to existing and future groups of insurance contracts on a systematic and rational basis.

The Company recognised insurance acquisition cash flows in the liability for remaining coverage (LRC) and amortised insurance acquisition cash flows as insurance service expenses.

1.2. Insurance contracts – Subsequent Measurement (General Model)

In estimating the total future fulfilment cash flows, the Company distinguishes between those relating to already incurred claims and those relating to future service. At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The LRC represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided.

- (a) the fulfilment cash flows relating to future service,
- (b) the CSM yet to be earned and
- (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Company's liability to pay valid claims for insured events that have already been incurred,

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other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognized. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the Company updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

The Company has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in nonfinancial assumptions, changes in discount rates and financial assumptions. The Company first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculates changes on those cash flows from the change in non-financial assumptions.

Experience adjustments are the difference between:

- The expected cash flow estimates at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes)
- The expected cash flow estimates at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses)

Experience adjustments relating to current or past service are recognized in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Adjustments to the CSM

The following changes in fulfilment cash flows are related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognized.
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognized. All financial variables are locked in at initial recognition.
- Changes in the risk adjustment for non-financial risk relating to future service. The Group has elected not to disaggregate the change in the risk adjustment for non-financial risk between:
 - a change related to non-financial risk and

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- the effect of the time value of money and changes in the time value of money.
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it becomes payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof.

• Changes in the fulfilment cash flows relating to the LIC.

• Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows)

Any further increases in fulfilment cash flows relating to future coverage are recognized in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the

carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition.
- The changes in fulfilment cash flows related to future service, except:
- Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous.
- Decreases in fulfilment cash flows that reverse a previously recognized loss on a group of onerous contracts.
- The effect of any currency exchange differences on the CSM
- The amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Group follows three steps:

- Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract.
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future.
- Recognize in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The number of coverage units changes as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added to the group. The total number of coverage units depends on the expected duration of the obligations that the Group has from its contracts. These can differ from the legal contract maturity because of the impact of policyholder behavior and the uncertainty surrounding future insured events.

By determining a number of coverage units, the Company exercises judgement in estimating the likelihood of insured events occurring and policyholder behavior to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods and the 'quantity of benefits' provided under a contract.

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This is a simplification of the general model. The Company applies the PAA to the measurement of non-life insurance contracts with a coverage period of each contract in the group of one year or less.

Contracts with coverage periods above one year which are not immediately eligible for the PAA, were subjected to a PAA eligibility by assessing the expected LRC cashflows under both the PAA and General Model approaches. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualified for PAA.

At subsequent measurement, the LRC is effectively the unearned premium reserve (UPR) under IFRS 4 less the deferred acquisition costs (DAC). Unlike IFRS 4, DAC will not be presented as an asset under IFRS 17. It is instead reflected in the overall insurance contract liability for remaining coverage, without being identified as a separate component in the balance sheet.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These include direct and indirect costs incurred in originating insurance contracts, including cashflows related to unsuccessful efforts to obtain new business.

Under the PAA, an entity can choose to immediately expense insurance acquisition cash flows in the P&L when incurred if and only if each insurance contract in a group has a coverage period of one year or less. The Company has opted to expense acquisition cash flows immediately when incurred.

For contracts measured under PAA in the Company, insurance acquisition costs comprise of costs:

- that are directly attributable to individual contracts or groups of contracts in a portfolio belongs; with the costs being allocated to groups on a systematic and rationale method e.g., Activity-Based Costing method or based on GWP proportions or claims cost etc.

3. Onerous contracts

The Company considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognized acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not reallocated to another group, unless they are substantively modified.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognized at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognized, the Company allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component. For groups of onerous contracts, without direct participating features, the Group uses locked-in discount rates. They are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component). For all issued contracts, other than those

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accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- Insurance finance income or expense
- Changes in risk adjustment for non-financial risk recognized in profit or loss representing release from risk in the period.
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

The Company determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total fulfilment cash outflows included in the LRC, including the risk adjustment for non-financial risk, excluding any investment component amount. For contracts that are measured under PAA, the assumption is that there are no onerous contracts at initial recognition, unless facts and circumstances indicate otherwise. If the measurement of the LIC results in a loss-making group, this does not translate to the LRC being onerous. In this case, the group will be assessed as to whether its LRC will be similar to the incurred experience and hence considered to be onerous. For example, actions taken to improve profitability on the fire portfolio which has been historically loss-making may indicate that the LRC will have a different loss experience.

If facts and circumstances indicate that a group of contracts is onerous during the coverage period, the onerous liability is calculated as the difference between:

- the carrying amount of the liability for remaining coverage; and
- the FCF that relates to remaining coverage similar to what is needed under the GMM.

This difference is recognized as a loss and shall increase the liability for remaining coverage.

I. Measurement of Reinsurance contracts held***1.1 Recognition***

Proportional reinsurance contracts held will be first recognized at the beginning of the coverage period of the reinsurance contract or the date that the first underlying insurance contract in the treaty is initially recognized.

1.2. Reinsurance contracts held measured under the PAA

All reinsurance contracts with contract boundaries not exceeding one year are automatically considered to meet PAA eligibility. Most of the Company's surplus reinsurance contracts are immediately eligible for PAA as they are written on a clean-cut basis. At the end of the period, the reinsurer withdraws from the contract and the reinsurance portfolio (including outstanding recoveries and ceded portion of unexpired premiums) is transferred to a new reinsurer.

A smaller number of surplus reinsurance contracts and all Facultative contracts are written on an underwriting year basis. This basis extends the contract boundary beyond one year as coverage of contracts ceded to the treaty may continue even after the underwriting year has ended.

Where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognizes a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The recognition of this gain results in the recognition for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held.

J. Modification and Derecognition

The Company derecognizes the original contract and recognizes the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- If the modified terms were included at contract inception and the Company would have concluded that the modified contract:
- Is outside of the scope of IFRS 17
- Results in a different insurance contract due to separating components from the host contract

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- Results in a substantially different contract boundary
- Would be included in a different group of contracts.
- The original contract met the definition of an insurance contract with direct participating features, but the modified contract no longer meets the definition.
- The original contract was accounted for applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

If the contract modification meets any of the conditions, the Company performs all assessments applicable at initial recognition, derecognizes the original contract and recognizes the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Company treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the PAA, the Company adjusts insurance revenue prospectively from the time of the contract modification.

The Company derecognizes an insurance contract when, and only when the contract is:

- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled)
- Modified and the derecognition criteria are met.
- When the Company derecognizes an insurance contract from within a group of contracts, it:
 - Adjusts the fulfilment cash flows allocated to the group to eliminate the present value of the future cash flows and risk adjustment for nonfinancial risk relating to the rights and obligations that have been derecognized from the group.
 - Adjusts the CSM of the group for the change in the fulfilment cash flows (unless it relates to the increase or reversal of the loss component).
 - Adjusts the number of coverage units for expected remaining insurance contract services to reflect the coverage units derecognized from the group and recognizes in profit or loss in the period the amount of CSM based on that adjusted number.

When the Company transfers an insurance contract to a third party and that results in derecognition, the Group adjusts the CSM of the group from which the contract has been derecognized for the difference between the change in the carrying amount of the group caused by the derecognized fulfilment cash flows and the premium charged by the third party for the transfer.

When the Company derecognizes an insurance contract due to modification, it derecognizes the original insurance contract and recognizes a new one.

The Company adjusts the CSM of the group from which the modified contract has been derecognized for the difference between the change in the carrying amount of the group as a result of adjustment to fulfilment cash flows due to derecognition and the premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium actually charged for the modification.

K. Contracts existing at transition date

On transition date, 1 January 2022, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied (unless impracticable).
- Has identified, recognized and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified.
- Derecognized any existing balances that would not exist had IFRS 17 always applied.
- Recognized any resulting net difference in equity.

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In determining the appropriate transition approach, the following were considered:

- the coverage period of the in-force policies
- the availability of historical data and assumptions driving measurement and the ability to obtain these without undue cost and effort.

Full Retrospective approach

On transition to IFRS 17, the Company applied the full retrospective approach unless impracticable to do so.

The Company has applied the full retrospective approach on transition to all short-term contracts (non-life business) in force at the transition date.

To do this, at the transition date, we have identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied; and derecognized any existing balances that would not exist had IFRS 17 always applied; and finally recognized any resulting net difference in equity.

5.11. Insurance revenue

For the Premium Allocation Approach (PAA), The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period.

When applying the PAA, the Company recognizes insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

5.12. Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components.
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service)
- Other directly attributable insurance service expenses incurred in the period.
- Amortization of insurance acquisition cash flows, which is recognized at the same amount in both insurance service expenses and insurance contra
- Loss component of onerous groups of contracts initially recognized in the period.
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

5.13. Income or expenses from reinsurance contracts held.

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers.
- An allocation of the premiums paid.

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

The Company establishes a loss recovery component of the asset for the remaining coverage for a group of reinsurance contracts held. This depicts the recovery of losses recognized on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The loss recovery component adjusts the CSM of the group of reinsurance contracts held. The loss recovery component is then adjusted to reflect:

- Changes in the fulfilment cash flows of the underlying insurance contracts that relate to future service and do

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not adjust the CSM of the respective groups to which the underlying insurance contracts belong to.

- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses.

5.14. Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held.

The use of OCI presentation for insurance finance income and expenses

The Company has an accounting policy choice to present all the period's insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). When considering the choice of presentation of insurance finance income or expenses, the Company examines the assets held for that portfolio and how they are accounted for.

Currently the Company presents all the period's insurance finance income or expenses in the profit or loss.

When applying the PAA, the Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for group life and non-life policies with a coverage period of one year or less. For those claims that the Group expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks. However, claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognized.

5.15. Net income or expenses from reinsurance contracts held.

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

5.16. Investment and other Income**a. Investment income**

Interest income is recognized in the 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. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

b. Realized gains and losses

Realized gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. 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.

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Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental Income from other property is recognised as other income.

The fair value gain or loss on investment property is recognised in profit or loss.

d. Other operating income

Other operating income comprises of income from realised profits on sale of securities, realised foreign exchange gains and other sundry income.

5.17. Employee benefits**5.17.1. Defined contribution plans**

The Company operates a defined contributory pension scheme as stipulated in the Pension Reform Act 2014. Under the defined contributory scheme, the Company pays 10% of total emolument as defined by the Act to the Pension Fund Administrator while employees pay 8% to the same entity. Total emolument comprises basic salary, housing, and transport allowances. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

5.17.2. Defined benefit plan

The company operates a non-contributory defined benefits service gratuity scheme for its employees. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary, and condition of service. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Gratuity basis

Any employee leaving either voluntarily or otherwise is entitled to:

Less than 5 years = NIL

Above 5yrs = 4weeks basic salary for every completed year. The company funds the gratuity benefit by setting aside certain amount.

Valuation of post-employment benefit obligation

The cost of defined gratuity plan and the present value of the gratuity obligation are determined periodically.

The valuation involves making assumptions about discount rates, future salary increases, and expected years in employment. The valuation of the defined benefit obligation is highly sensitive to changes in these underlying assumptions. All assumptions are reviewed at each reporting date.

The valuation of the staff gratuity plan was professionally carried out by O & A Hedge Actuarial Consulting at Suite 28, Motorways Centre, Alausa Ikeja, Lagos with FRC number **FRC/2016/NAS/00000015764**.

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Actuarial gains and losses are recognized in full in other comprehensive income when they occur. Past- service costs are recognized immediate in income.

5.17.3. Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whatever an employee accepts voluntary redundancy in exchange for these benefits. The company recognizes termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntarily redundancy if it is probable that the offer will be accepted, and the number of acceptances can be estimated. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

5.18. Other Operating expenses

Management expenses are charged to profit or loss when the goods are received, or services rendered. They are expenses other than claims, investments and underwriting expenses and include employee benefits depreciation charges and other operating expenses. These represents a half of the total company operational expenses while the other half is taken to technical expenses.

5.19. Finance cost

Comprises interest on borrowing and other finance costs such as bank charges, COT, etc.

Finance costs are interest costs. Usually, they are thought to refer to interest expense on short- term borrowings (for example bank overdraft and notes payable) and long-term borrowings (for example term loans and real estate mortgages). The term "finance cost" is broader and includes costs other than just interest expense.

Finance costs as "interest and other costs that the Company incurs in connection with the borrowing of funds and bank service charges".

Finance cost is measured at fair value, and it is recognized as expense in the period in which they are incurred using the effective rate method. When this treatment for recognizing finance cost is used, these costs should be expensed regardless of how they are applied.

5.20. Share capital and premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

5.21. Contingency reserves

In compliance with Section 21 (2) of the Insurance Act, 2003, the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

5.22. Retained earnings

The retained earnings comprise undistributed profit/(loss) from previous years and current year. Retained earnings are classified as part of equity in the statement of financial position.

5.23. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for- sale financial assets until the investments are derecognized.

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Revaluation reserve is one of the reserves under equity. A revaluation reserve is an increase in the value of property, plant, and equipment. The Company credits it when noncurrent assets like building or land is revalue.

This line item is used when the revaluation finds the current and probable future value of the asset is higher than the recorded historic cost of the same asset.

5.24. Other reserve-actuarial surplus

Actuarial surplus/deficit on employee benefits represents changes in benefit obligation due to changes in actuarial valuation assumptions or actuarial experience. The gains/losses for the year, net of applicable deferred tax assets/liability on employee benefit obligation, are recognized in other comprehensive income.

5.25. Earnings per share

The Company presents basic and diluted 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 adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5.26. Standards issued but not yet effective

The new and amended 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 new and amended standards and interpretation, if applicable when they become effective.

a) IFRS S1 General Requirements for Disclosure of Sustainability-related financial information

IFRS S1 sets out overall requirements for sustainability related financial disclosures with the objective to require an entity to disclose information about its sustainability related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The company is currently assessing this to ascertain the significance of impact to have on its financial statement in providing adequate disclosure on this in line with the requirements.

b) IFRS S2 Climate related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The Company is currently assessing this to ascertain the significance of impact it will have on its financial statement in providing adequate disclosure on this in line with the requirements.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****5.27. Critical accounting estimates and judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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.

Insurance and reinsurance contracts

The Company applies the premium allocation approach (PAA) to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly like the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk. For cashflows that are not expected to be settled more than one year after the claims are incurred, the company has elected not to discount such cashflows.

1. Insurance and Reinsurance Contract**i. Liability for remaining coverage**

The company uses the following key assumption for its liability for remaining coverage. Earnings pattern for LRC (Liability for Remaining coverage) includes two (2) options under the PAA, they are:

- Pro rata temporis (passage of time).
- Risk based curve.

For insurance contracts which automatically qualify for PAA (i.e., with coverage period not exceeding 1 year), the passage of time or pro-rata temporis pattern will be used. This approach is almost identical to the 365th method that is currently used for determining IFRS 4 Unearned Premium Reserves (UPR). However, contracts which automatically qualify for PAA do not necessarily imply that the uniform earnings curve will be appropriate.

For example, seasonality of claim incidence under certain class of policy would normally require calibration of the earnings curve but the default curve will be uniform unless facts and circumstances indicate otherwise, i.e., there is sufficient credible data and grounds that the incidence of risk may not be linear.

For contracts with coverage period exceeding 1-year, actuarial investigations will be conducted by deriving the claims

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incidence pattern using historical claims data. Actual observed claims incidence curve is tested for goodness of fit by applying standard statistical techniques. In the absence of credible claims data, an equivalent risk incidence curve will be sourced from our international reinsurers. If an external risk curve is not available, then by default a uniform earnings curve will apply.

The selected earnings curve will be applied to both insurance and reinsurance contract.

ii. Claims payment pattern for liability for incurred claims

In estimating the claims payment pattern for liability for incurred claims, the company sets:

- a. An assumption regarding the future timing of claim settlement is required as the IFRS 17 requires the determination of probability weighted future cash flows. Weighted future cash flows will include expected claim payment, expected cost of settling the claims, unallocated claim expenses that are integral to the claim cost but due to system limitations they cannot be allocated to individual claims (e.g. cost of pool of contract cars), legal costs incurred or expected to be incurred for litigated claims, motor recoveries from third party insurers, salvage and subrogation and directly attributable maintenance expenses. For reinsurers' LIC, the same cashflows shall apply as described above but the cashflows are apportioned according to reinsurance arrangement.

Run off triangles are used to project future claims payment generated by direct insurance contracts and claim recovered from reinsurance contracts. Actual claims paid and outstanding claim reserves are grouped by accident year cohorts.

Methodology used for claims reserving is defined by the Company's Reserving Policy and Reserving Guidance, and it relies on the Basic Chain Ladder as well as the Bornhuetter- Ferguson method. The same methodology is applied to claims generated by direct contracts and claim recovered from reinsurance contracts.

The best estimate for claims development or payment to ultimate is determined by the link ratio estimator for each period of development. This is achieved by selecting the weighted averages or simple averages of link ratios for each period of claims development until the ultimate period when the claims development is deemed to be fully run off. For each reserving class that best estimate claim payment pattern is derived separately on a gross basis Insurance contracts and reinsurers' share (claim recovered from reinsurance contracts). The process of selecting link ratios often involves identifying outliers and excluding them. Analysis of Actual versus Expected claim reserves is carried out to assess adequacy of best estimate payment pattern estimated in prior year/period. Where significant deviations are noted, further investigations are carried out to ascertain whether this is indicative of a new trend in the underlying claim development process or whether this is caused by the occurrence of abnormally large claims that tend to distort the latest link ratios or whether it was caused by certain specific events impacting the claims process that are not expected to recur in the future (e.g. restructuring of claims department, or installing a new admin system or claim backlog). If the cause of the deviation is driven by changes in the claims development process which is expected to be recurring or be permanent in the future (e.g., application of new case reserving practice), then judgement is applied in choosing the link ratio for the most recent accident year cohort.

Consideration is also given on the need to allow for a tail factor for projecting claims payment beyond the available data horizon.

- b. Claim payment pattern will be derived for each reserving class or portfolio (portfolio if there is only one reserving class).
- c. Basically, the payment pattern provides probabilities to project the settlement of claims in future time periods.

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- d. For a given portfolio or reserving class, the same payment pattern will be applied to project the payment of OCR (outstanding claim reserve), IBNR reserve and Risk Adjustment estimates over future time periods.
- e. Existing reserving models (primarily the Basic Chain Ladder) will be used to derive the payment probabilities from the link ratios obtained from paid triangles.
- f. Patterns will be derived once a year, that is, at the year-end valuation. It is expected that the same payment pattern will be used in the LIC cashflow modelling for interim valuation periods and roll forward.
- g. However, for reserving classes or portfolios which exhibit significant volatility, payment pattern might be reviewed and revised more frequently, and pattern used in LIC model will need to be updated. A change in payment pattern will lead to a change in fulfilment cashflows arising from non-financial assumption change. This change or delta in fulfilment cashflow will be accounted for as an insurance service expense.
- h. Changes of payment pattern during a financial year will only be considered if justified by facts and circumstances. Examples of facts and circumstances could be as follows:
 - major changes in claim reporting and settlement processes that would invalidate existing payment patterns (e.g., non-life claims backlog can be quite common arising from dispute in settlement amount or change in policy administration system.
 - occurrence of major external systemic events such as a pandemic related lockdown will impact the development factors- hence invalidate existing payment pattern.
- i. It is to be noted that, for consistency, the same payment pattern as used for claim projection will be applied in the projection of Risk Adjustment estimates. The same approach would be used to derive the payment pattern for modelling the LIC cashflows for a portfolio of reinsurance contracts.
- j. Moreover, it is required to allocate the projected OCR, IBNR and RA to issue year cohorts/underwriting year cohorts. This will necessitate the application of an allocation driver. Projected IBNR, OCR and RA cashflows will be allocated to underwriting year by making use of weights. Weights, as a proxy for coverage, for each underwriting year will be derived from earned premium/revenue (as computed for the LRC). For internal reporting needs, further allocation of IBNR, OCR and RA (risk adjustment) down to more granular levels (issue year cohorts/distribution channels/ cover-section/ client types) will be required. Earned premium weights, as described above, will also be used for a more granular allocation of projected OCR, IBNR and RA.

iii. Insurance acquisition cash flows

For the company's PAA eligible contracts, the company is eligible to recognize an asset for any acquisition cashflows relating to a company of existing or future insurance contracts that it pays or liabilities incurred for acquisition cashflows to be paid before the company is recognized.

The company allocates insurance acquisition cash flows to related groups of insurance contracts recognized in the statement of financial position (including those groups that will include insurance contracts expected to arise from renewals) and subject the assets to recoverability testing if facts and circumstances indicate that the asset may be impaired. Any impairment losses and reversals of impairment losses is recognized in profit or loss.

iv. Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****v. Time value of money on liability for remaining coverage**

For contracts above one year, the Company would adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition. While for other business lines, the company has elected not to discount the liability for remaining coverage because they are within one year period.

vi. Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid high grade rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates. The company based is discount rate using a top-down approach which is based on a yield curve that reflects the current market rates published on the NAS website monthly.

vii. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (value at risk) approach in which a full IFRS 17 liability distribution is generated across all non-financial risks and risk adjustment is calculated.

2. 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 operations of the Company. The Directors have made an 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.

3. Business model assessment

This is applicable for 2023 financial year.

For financial assets that are held for the purpose of collecting contractual cash flows, the Company has assessed whether the contractual terms of these assets are solely payments of principal and interest on the principal amount outstanding.

4. Allowance for credit losses

Judgment is required by management in the estimation of the amount and timing of future cashflows when determining an impairment loss for debt instruments measured at amortized cost and fair value through other comprehensive income. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and value of other collateral (where applicable). These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

A collective assessment of impairment considers data from the debt portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

These critical assumptions have been applied consistently to all periods presented, except as follows:

The Company applied the impairment requirements under IFRS 9 from 1 January 2023 resulting in changes to the assumptions used for the calculation for allowance for impairment using the expected credit loss model. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors.

5. Impairment of financial assets

The Company has applied some judgment in carrying out an assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporating forward-looking information in the measurement of ECL.

5.25 Valuation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2023 for Investment properties and revalued land and buildings. For investment properties, a valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and condition of the property.

5.26 Deferred tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations by the taxable entity.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES*****5.27 Income Tax***

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two (2) components, namely Company income tax (based on taxable income (or loss) for the year; and Minimum tax, based on the provision of the same Act.

i. The current income tax

The current income tax charge is calculated on taxable income based on the tax laws enacted or substantively enacted at the reporting date. Taxes based on taxable profit for the year are treated as current income tax in line with IAS 12. The Company applies Section 16 of the Company Income Tax Act. It states that an Insurance business shall be taxed as:

- an insurance company, whether proprietary or mutual, other than a life insurance company; or
- a Nigerian company whose profit accrued in part outside Nigeria, the profit on which tax may be imposed, shall be ascertained by taking the gross premium interest and other income receivable in Nigeria less reinsurance and deducting from the balance so arrived at, a reserve fund for unexpired risks at the percentage consistently adopted by the company in relation to its operation as a whole for such risks at the end of the period for which the profits are being ascertained, subject to the limitation below:

An insurance company, other than a life insurance company, shall be allowed as deductions from its premium the following reserves for tax purposes. (a) for unexpired risks, 45 percent of the total premium in case of general insurance business other than marine insurance business and 25 percent of the total premium in the case of marine cargo insurance; (b) for other reserves, claims and outgoings of the company an amount equal to 25 percent of the total premium.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.**NOTES TO THE FINANCIAL STATEMENTS**

	2023	31-Dec-2022	1-Jan-2022
	N'000	Restated N'000	Restated N'000
6 Cash and Cash Equivalents			
Cash	1,412	824	3,446
Bank balances	321,802	290,764	332,986
Short-term Bank deposits	1,196,802	818,320	401,194
	1,520,016	1,109,908	737,626
Less: Allowance for impairment losses	(12,027)	(6,068)	(4,033)
Total	1,507,989	1,103,840	733,593

Cash and cash equivalents comprise of short term deposits and placements with maturity period of less than 90 days from the value date of the placements.

Impairment allowance for cash & cash equivalents

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to cash & cash equivalents is as follows:

	2023	31-Dec-2022	1-Jan-2022
	N'000	Restated N'000	Restated N'000
Gross carrying amount as at January	1,109,908	737,626	378,939
Movement during the year (excluding allowance)	410,108	372,282	358,687
At 31 December, 2023	1,520,016	1,109,908	737,626

6 (i) (b) ECL allowance

Impairment as at January 1	6,065	4,030	-
Impact of net-remeasurement of ECL as at year end	5,959	2,035	4,030
At 31 December, 2023	12,024	6,065	4,030

Carrying amount at 31 December, 2023	1,507,992	1,103,843	733,596
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	2023	31-Dec-2022	1-Jan-2022
	N'000	Restated N'000	Restated N'000
7 Financial Assets			
Financial asset at amortised cost (AC) (7a)	235,136	267,653	335,639
Fair value through other comprehensive income (FVOCI) (7b)	2,452,004	1,264,798	1,067,642
Balance at end of the year	2,687,139	1,532,451	1,403,281

Movements in Financial Assets in year 2023

	FVOCI-Equity Instruments	FVOCI-Debt Instruments	Amortised Cost	Total
	N'000	N'000	N'000	N'000
Balance at the beginning	978,212	287,365	267,653	1,533,230
Addition during the year	185,200	703,586	20,000	908,786
Repayment/disposal during the year	-	-	(10,000)	(10,000)
Accrued interest	-	129,360	-	129,360
Written-off	(16,144)	-	-	(16,144)
Fair value changes	184,424	-	-	184,424
ECL loss/reversal	-	-	(42,517)	(42,517)
	1,331,693	1,120,311	235,136	2,687,139

Movements in Financial Assets in year 2022

	FVOCI-Equity Instruments	FVOCI-Debt Instruments	Amortised Cost	Total
	N'000	N'000	N'000	N'000
Balance at the beginning	736,205	332,338	335,639	1,404,182
Addition during the year	247,839	-	-	247,839
Repayment/disposal during the year	(5,436)	(44,973)	(15,000)	(65,409)
Accrued interest	-	-	-	-
Written-off	-	-	-	-
Fair value changes	(396)	-	-	396
ECL loss/reversal	-	(779)	(52,986)	(53,765)
	978,212	286,586	267,653	1,532,451

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS

	2023	31-Dec-2022	1-Jan-2022
	N'000	Restated N'000	Restated N'000
8 Trade Receivables			
Premium Receivable (Note 8 (i) & Note 8 (vi))	176,915	223,559	275,537
(i) Trade receivables comprise			
Due from Insurance brokers	96,241	362,706	108,640
Due from Insurance companies	80,675	136,390	166,897
	176,915	499,096	275,537
Less: Allowance for ECL/impairment losses	-	(275,537)	-
	176,915	223,559	275,537
(ii) Movements in premium receivable are as follows:			
Balance as at January 1	223,559	275,537	275,537
Gross written premium during the year	5,932,254	4,929,908	4,677,009
Premium received during the year	(5,978,898)	(4,706,349)	(4,677,009)
Impairment loss allowance	-	(275,537)	-
Balance as at December 31	176,915	223,559	275,537
(iii) Age analysis of trade receivables	N'000	N'000	N'000
Within 30 Days		96,900	110,215
Above 30 Days		126,659	165,322
Total	-	223,559	275,537
8 (vi) Age of Debt	No. of Policies	N'000	N'000
Within 14 Days	88	96,900	110,215
Within 15-30 Days	170	126,659	165,322
Within 31-90 Days	-	-	-
Within 91-180 Days	-	-	-
Above 180 Days	-	-	-
Total	258	223,559	275,537

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	Dec-23 N'000	Dec-22 N'000	Jan-22 N'000
9 Reinsurance Contract Held			
(a). Assets for remaining coverage (ARC)	744,734	173,633	308,997
(a). Assets for incurred claims (AIC)	375,660	160,065	241,731
	1,120,394	333,698	550,728
(b). Reinsurances share of claims paid-	689,872	701,317	819,984
	1,810,266	1,035,015	1,370,712

Reinsurance contracts held – (under PAA), the following table shows the reconciliation from the opening to the closing balances of the net asset for the remaining coverage and the assets for incurred claims recoverable from reinsurance. The coverage period of quota-share reinsurance contracts held for insurance contracts issued by the Company has either a coverage period of one year or less have been assessed as qualifying for measurement under PAA.

a. Reinsurance contract held	N'000	N'000	N'000
Assets for remaining coverage (ARC)			
Excluding loss recovery component	743,790	173,629	308,997
Loss recovery component	944	4	-
ARC	744,734	173,633	308,997
Assets for incurred claims (AIC)			
Estimated PV of FCF	313,167	149,328	214,715
Risk adjustment	62,493	10,737	27,016
AIC	375,660	160,065	241,731
Total Reinsurance Contract Held	1,120,394	333,698	550,728

9(b). Reinsurances share of claims paid-receivables	689,872	701,317	819,984
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Movement in Claims paid	N'000	N'000	N'000
Balance at the beginning of the year	701,317	819,984	992,935
Addition to reinsurance assets during the year	596,561	439,835	518,308
Reinsurance claims recovered during the year	(465,183)	(435,550)	(568,307)
	832,695	824,269	942,936
Increase/(decrease) in impairment during the year	(142,823)	(122,952)	(122,952)
Balance at the end of the year	689,872	701,317	819,984

Reconciliation of movement in impairment of claims paid recoverable			
Balance as at January 1	245,904	122,952	-
Increase/(decrease) in impairment during the year	142,823	122,952	122,952
Write-back/reversal of impairment during the year	-	-	-
Previous impairment recovered during the year	-	-	-
Balance as at December 31	388,727	245,904	122,952

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Reconciliation from opening to closing of reinsurance contract held as at 31st December 2023, and 2022

The table below shows the reconciliation from the opening to the closing balances of the net assets for the remaining coverage and net assets for incurred claims at the entity level, i.e. aggregate of all reinsurance contracts portfolios held

	31 December 2023.					31 December 2022.				
	Assets for Remaining coverage		Assets for incurred claims		Total	Assets for Remaining coverage		Assets for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	₦	₦	₦	₦	₦	₦	₦	₦	₦	₦
Opening assets	173,629	4	149,328	10,737	333,698	308,997	-	214,715	27,016	550,728
Opening liabilities	-	-	-	-	-	-	-	-	-	-
Net opening balance	173,629	4	149,328	10,737	333,698	308,997	-	214,715	27,016	550,728
Changes in the statement of profit or loss and OCI										
Reinsurance expenses	(1,520,763)	-	-	-	(1,520,763)	(1,402,099)	-	-	-	(1,402,099)
<i>Amounts recovered from reinsurers</i>										
Recoveries on incurred claims and other directly attributable expense	-	-	312,557	51,756	364,313	-	-	356,635	(16,279)	340,356
Onerous contract and Changes in the loss recovery component	-	940	-	-	940	-	4	-	-	4
Acquisition income earned/recognised	192,763	-	-	-	192,763	191,478	-	-	-	191,478
Changes in recoveries for past claims	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts held	(1,328,000)	940	312,557	51,756	(962,747)	(1,210,621)	4	356,635	(16,279)	(870,261)
Finance income or expenses from reinsurance contracts recognised in profit or loss	-	-	17,436	-	17,436	-	-	17,809	-	17,809
Effect of movements in exchange rates	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(1,328,000)	940	329,993	51,756	(945,311)	(1,210,621)	4	374,444	(16,279)	(852,452)
Investment components excluded from reinsurance service expenses	-	-	-	-	-	-	-	-	-	-
Cash flows										
Reinsurance premiums paid	2,093,121	-	-	-	2,093,121	1,240,611	-	-	-	1,240,611
Acquisition income received	(194,960)	-	-	-	(194,960)	(165,358)	-	-	-	(165,358)
Incurrd claims recovered from reinsurers	-	-	(166,154)	-	(166,154)	-	-	(439,831)	-	(439,831)
Total cash flows	1,898,161	-	(166,154)	-	1,732,007	1,075,253	-	(439,831)	-	635,422
Non-Cash flow items										
Reinsurance premiums payable	-	-	-	-	-	-	-	-	-	-
Acquisition income receivable	-	-	-	-	-	-	-	-	-	-
Total Non-Cash flows	-	-	-	-	-	-	-	-	-	-
Net closing balance	743,790	944	313,167	62,493	1,120,394	173,629	4	149,328	10,737	333,698
Closing assets	743,790	944	313,167	62,493	1,120,394	173,629	4	149,328	10,737	333,698
Closing liabilities	-	-	-	-	-	-	-	-	-	-
Net closing balance	743,790	944	313,167	62,493	1,120,394	173,629	4	149,328	10,737	333,698

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	Dec-23 N'000	Dec-22 N'000	Jan-22 N'000
10 Other Receivables and Prepayments			
Prepayments (See Note 10(i))	101,467	221,370	172,614
Withholding Tax Receivables	48,181	48,593	45,765
Sundry Debtors-Staff Loans and advances 10(ii)	980	1,627	17,174
	150,628	271,590	235,553

Current	150,628	271,590	235,553
Non-current	-	-	-

(10 (i)) Prepayments breakdown	N'000	N'000	
Rent and Service charge	4,405	3,743	5,840
Assets Insurance	12,723	8,375	5,934
Housing and other allowance	1,310	151,223	155,424
Medical Expenses	75,000	50,000	613
Security Expenses	-	-	1,988
Electricity Bill	-	-	1,153
Internet Connectivity	-	-	1,662
Others	8,029	8,029	-
	101,467	221,370	172,614

10(ii). Other receivables*Financial assets:*

- Due from insurance companies (ORC commission)	-	-	
- Staff debtors	980	1,627	
	980	1,627	
Less: Allowance for ECL/impairment losses	-	-	
	980	1,627	

10(ii) Impairment allowance for other receivables

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financial receivables are as follows:

Movement in ECL allowance during the year:

Impairment as at January 1	-	-
Impact of net-remeasurement of ECL as at year end	-	-
	-	-

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****11 Investment Properties**

Location/Address	Status of title Document	2023 N'000	2022 N'000
1. Plot 318, Ikorodu Road, Maryland, Lagos	Perfected	450,000	450,000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	Perfected	300,000	300,000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	Perfected	500,000	500,000
4. Plot 1, Cadastral Zone E13, Guide District, Abuja, FCT.	Perfected	180,000	180,000
Balance at the end of the year		1,430,000	1,430,000

11(i) Movement in Investment Properties

	Balance as at 01/01/2023 N'000	Addition N'000	Disposal N'000	Fair value gain/(loss) N'000	Balance as at 31/12/2023 N'000
1. Plot 318, Ikorodu Road, Maryland, Lagos	450,000	-	-	-	450,000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	300,000	-	-	-	300,000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	500,000	-	-	-	500,000
4. Plot 1, Cadastral Zone E13, Guide District, Abuja, FCT.	180,000	-	-	-	180,000
	1,430,000	-	-	-	1,430,000

Investment properties are held for Capital appreciation purposes only and not for rental income.

Details of the Valuer

The investment properties were independently valued as at 31 December 2023 by Ndubuisi Mordi and Associate (an estate surveyors & valuer) duly registered with the Financial Reporting Council of Nigeria. The valuer, which is located at 94A, Cemetery Street, Ebutte-Metta, Lagos, is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No.FRC/2013/NIESV/00000004196.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Property, Plant and Equip
as at 31 December, 2023

	Land	Building	Motor Vehicles	Office Equipment	Furniture & Fittings	Total
(i). Cost	N'000	N'000	N'000	N'000	N'000	N'000
Balance at January, 2023	369,022	227,500	528,853	175,707	38,437	1,339,519
Additions	-	-	41,666	40,465	5,844	87,975
Revaluation	-	53,478	-	-	-	53,478
Disposals	-	-	(34,560)	(1,246)	-	(35,806)
Balance at December, 2023	369,022	280,978	535,959	214,926	44,281	1,445,166

	N'000	N'000	N'000	N'000	N'000	N'000
Balance at January, 2022	369,022	227,500	372,852	149,271	35,894	1,154,539
Additions	-	-	156,001	26,436	2,543	184,980
Disposals	-	-	-	-	-	-
Balance at December, 2022	369,022	227,500	528,853	175,707	38,437	1,339,519

(ii). Accumulated Depreciation

Rates	2%	25%	20%	20%	
Balance at January, 2023	-	21,451	265,015	137,519	35,005
Charge for the year	-	4,550	63,968	11,909	922
Disposals	-	-	(32,985)	(985)	-
Balance at December, 2023	-	26,001	295,998	148,443	35,927

Balance at January, 2022	-	16,522	253,876	125,600	33,945	429,943
Charge for the year	-	4,929	11,139	11,919	1,060	29,047
Disposals	-	-	-	-	-	-
Balance at December, 2022	-	21,451	265,015	137,519	35,005	458,990

(iii). Carrying Amount

At 31 December, 2023	369,022	254,977	239,962	66,483	8,354	938,797
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At 31 December, 2022	369,022	206,049	263,838	38,188	3,432	880,529
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(iv). Land & Building Schedule of movement during the year

284, Ikorodu Road, Anthony, Lagos.

Status of Title to Land & Building	Bal as at Jan. 1, 2023 N'000	Additions N'000	Disposal N'000	Depreciation N'000	Fair Value gain/(loss) N'000	Bal as at Dec. 31, 2023 N'000	Bal as at Dec. 31, 2022 N'000
Perfected	575,071	-	-	(4,550)	53,478	623,999	575,071

Land and building were professionally revalued by Messrs Ndubuisi Mordi and Associate with FRC No.FRC/2013/NIESV/00000004196 (Estate Surveyors and Valuers) as at 31 December, 2023 in which valuations performed by the valuer are based on active open market values.

13 Statutory Deposit

	Dec-23 N'000	Dec-22 N'000	Jan-22 N'000
Statutory deposit	300,150	300,150	300,150
	300,150	300,150	300,150

This represents the amount deposited with the Central Bank of Nigeria (CBN) as at 31 December, 2023 in accordance with sections 9(1) and 10(3) of Insurance Act, 2003.

The amount is not available for the day-to-day use in the working capital of the Company. Therefore, it is excluded from cash and cash equivalents.

14 Insurance Contract Liabilities

	Dec-23 N'000	Dec-22 N'000	Jan-22 N'000
<i>Liability for remaining coverage (LRC)</i>			
Excluding loss component	1,389,391	502,797	222,376
Loss component	4,650	41	-
LRC	1,394,041	502,838	222,376
<i>Liability for Incurred Claims (LIC)</i>			
Incurred claims/PV of future cash flows	652,403	372,745	472,248
Risk Adjustment (RA)	130,155	28,144	61,468
LIC	782,558	400,889	533,716
Total Insurance Contract Liabilities	2,176,599	903,727	756,092

Age analysis of liability for incurred claims

	2023		2022	
Days	No. of Claimant	N'000	No. of Claim	N'000
0 - 90 days	49	127,262	106	29,172
91 - 180 days	57	107,763	70	25,149
181 - 270 days	89	87,425	85	175,344
271 - 365 days	91	95,717	91	18,851
365 days and above	732	364,391	485	152,373
TOTAL	1018	782,558	837	400,889

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Reconciliation from opening to closing of Insurance contract liabilities as at 31st December 2023 and 2022

The table below shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and net liability for incurred claims at the entity level, i.e. aggregate of all insurance contracts portfolios issued.

The coverage period of the insurance contracts issued by the Company are one year or less. See further details on the accounting policies applied for insurance contracts measured under PAA.

31 December 2023 and 2022 (Entity Level)	31 December 2023.					31 December 2022.				
	Insurance contract liabilities (aggregate of all portfolios)					Insurance contract liabilities (aggregate of all portfolios)				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	N	N	N	N	N	N	N	N	N	N
Opening assets	-	-	-	-	-	-	-	-	-	-
Opening liabilities	502,796	41	372,745	28,144	903,726	222,376	-	472,248	61,468	756,092
Net opening balance	502,796	41	372,745	28,144	903,726	222,376	-	472,248	61,468	756,092
Changes in the statement of profit or loss and OCI										
Insurance revenue										
Contracts under the modified retrospective approach	-	-	-	-	-	-	-	-	-	-
Contracts under the fair value approach	-	-	-	-	-	-	-	-	-	-
Other contracts	(5,041,051)	-	-	-	(5,041,051)	(4,966,565)	-	-	-	(4,966,565)
	(5,041,051)	-	-	-	(5,041,051)	(4,966,565)	-	-	-	(4,966,565)
Insurance service expenses										
Incurred claims and expenses	-	-	1,712,819	102,011	1,814,830	-	-	1,775,959	(33,324)	1,742,635
Amortisation of insurance acquisition and other directly attributable expenses	1,618,479	-	-	-	1,618,479	1,048,816	-	-	-	1,048,816
Loss of Onerous and recovery	-	4,609	-	-	4,609	-	41	-	-	41
Impairment loss and reversals of impairment	-	-	-	-	-	-	-	-	-	-
Insurance service expenses	1,618,479	4,609	1,712,819	102,011	3,437,918	1,048,816	41	1,775,959	(33,324)	2,791,492
Insurance service result	(3,422,572)	4,609	1,712,819	102,011	(1,603,133)	(3,917,749)	41	1,775,959	(33,324)	(2,175,073)
Insurance finance income or expenses										
Insurance finance income or expenses from insurance contracts recognised in profit or loss	-	-	33,315	-	33,315	-	-	38,845	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(3,422,572)	4,609	1,746,134	102,011	(1,569,818)	(3,917,749)	41	1,814,804	(33,324)	(2,175,073)
Investment components excluded from insurance revenue and insurance service expenses	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received - New Contracts (1)	5,932,254	-	-	-	5,932,254	4,929,908	-	-	-	4,929,908
Insurance acquisition cash flows - New contracts (1)	(1,623,087)	-	-	-	(1,623,087)	(731,739)	-	(888,442)	-	(1,620,181)
Claims and other insurance service expenses paid	-	-	(1,466,476)	-	(1,466,476)	-	-	(1,025,865)	-	(1,025,865)
Total cash flows	4,309,167	-	(1,466,476)	-	2,842,691	4,198,169	-	(1,914,307)	-	2,283,862
Non-Cash flows items										
Increase in premium receivable during the year	-	-	-	-	-	-	-	-	-	-
Acquisition cost and other attributable cost payable - New contracts (2)	-	-	-	-	-	-	-	-	-	-
Total Non-cash flows	-	-	-	-	-	-	-	-	-	-
Net closing balance	1,389,391	4,650	652,403	130,155	2,176,599	502,796	41	372,745	28,144	864,881
Closing assets	1,389,391	-	-	-	1,389,391	502,796	-	-	-	502,796
Closing liabilities	-	4,650	652,403	130,155	787,208	-	41	372,745	28,144	400,930
Net closing balance	1,389,391	4,650	652,403	130,155	2,176,599	502,796	41	372,745	28,144	903,726

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15 (a). Trade Payable

Trade payables represent amounts payable to reinsurers, co-insurers, agents and brokers at the end of the period.

The carrying amounts disclosed below approximate the fair values at the reporting date

	31-Dec-2023	31-Dec-2022	1-Jan-2022
	N'000	N'000	N'000
Co-insurance payable	79,773	73,810	31,163
	79,773	73,810	31,163

(b). Other Technical Liabilities

Premium paid in advance	-	24,812	-
	-	24,812	-

** Premium paid in advance represents premium deposit by EEPNOEL and Mobil producing in respect of 2023 insurance policy.

16 Provision and Other Payables

	N'000	N'000	N'000
Industrial Tranning Fund	-	-	7,987
National Insurance Commission Levy	34,405	51,516	49,810
Accrued expenses	37,839	22,819	19,471
National Pension Scheme- NPS-NLPC	6,779	12,387	120,972
Staff Salaries Payable	153	98	2,938
National Housing Fund	127	268	1,320
Staff group life provision	4,871	5,355	-
Unclaimed dividend payable	1,500	1,500	1,500
PAYE	6,282	6,525	6,685
WHT -Federal/States	4,020	2,309	49
	95,976	102,777	210,732
Current	95,976	102,777	210,732
Non-current	-	-	-

17 Retirement Benefit Obligations

This represents the company's liabilities from its defined benefit contribution pension plan which is in compliance with the Pension Reform Act 2014. (As amended)

All pension contributions are remitted to the relevant registered Pension Fund Administrators (PFAs).

The amounts recognised in the statements of financial position at the reporting date are as follows:

Present value of the defined benefit obligation

	Dec-23	Dec-22	Jan-22
	N'000	N'000	N'000
The movement in the defined benefit obligation is as follows:			
Balance at the beginning of the year	226,790	227,048	206,270
Pension expense for the year	49,782	63,094	83,438
Actuarial (Gain)/ Loss	34,924	12,530	(10,938)
Benefit paid during the year	(56,604)	(75,882)	(51,722)
Balance at the end of the year	254,892	226,790	227,048

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18 Taxation	31-Dec-2023 N'000	31-Dec-2022 N'000	1-Jan-2022 N'000
18.1 Current Tax Expense			
Company income tax	168,806	80,275	53,711
Education Tax	18,349	6,690	13,563
NITDEF	5,696	2,676	4,469
Police trust fund	28	-	-
NASENI Levy	142	-	-
	193,022	89,640	71,743
Deferred taxation	20,216	3,046	(1,571)
Income tax expense recognised in the current year	213,238	92,686	70,172

18.2 Taxation Payable Account

The movement in taxation payable account during the year is as follow	N'000	N'000	
Balance brought forward	89,660	79,414	30,003
Charged for the year	193,022	89,640	71,743
Tax paid during the year	(47,857)	(79,394)	(22,332)
Balance at the end of the year	234,825	89,660	79,414

18.3 Deferred Taxation

The movement in deferred taxation account during the year was as follows:

	N'000	N'000	
Balance at the beginning of the year	89,784	86,738	88,309
Charge / (credit) to profit and loss account for the year	20,216	3,046	(1,571)
Balance at the end of the year	110,000	89,784	86,738

The Company's Deferred taxation is computed using the liability method.

19 Capital and Reserves

(i). Share capital	N'000	N'000	N'000
8,129,578,755 units ordinary shares of 50kobo each	4,064,789	4,064,789	4,064,351
Balance at the end of the year	4,064,789	4,064,789	4,064,351

(ii). Share Premium	N'000	N'000	N'000
	70,393	70,393	70,393

Share premium comprises additional paid-in capital in excess of the par value. However, this reserve is not available for distribution.

(ii). Other Reserves

This represents gain or loss on actuarial valuation relating to retirement benefit obligations.

Movement in other reserves	N'000	N'000	N'000
Opening balance	(59,623)	(47,093)	(58,031)
(Decrease)/ Increase during the year	(34,924)	(12,530)	10,938
Closing balance	(94,547)	(59,623)	(47,093)

(iii). Fair-value Reserve

Fair-value reserve is the net accumulated changes in the fair value of quoted and unquoted investments.

	N'000	N'000	N'000
Opening balance	25,267	25,663	45,491
Appreciation/(Depreciation) during the year	184,424	(396)	(19,828)
Closing balance	209,691	25,267	25,663

(iv). Revaluation reserve

This is an increase in the value of property, plant and equipment.

	N'000	N'000	N'000
Opening balance	257,941	257,941	204,419
Appreciation/(Depreciation) during the year	53,478	-	53,522
Closing balance	311,419	257,941	257,941

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	31-Dec-2023 N'000	31-Dec-2022 N'000	1-Jan-2022 N'000
(v). Contingency Reserve			
	N'000	N'000	
Balance at the beginning of the year	1,598,581	1,450,684	1,310,374
Transfer from retained earnings	151,232	147,897	140,310
Balance at the end of the year	1,749,813	1,598,581	1,450,684

This is maintained in compliance with section 21(1) and (2) and it is credited with the greater of 3% of total premium income receivable during the period or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium.

(vi). Retained Earnings/(Accumulated Losses)

The movement in retained earnings is analysed as follows:

Opening balance (IAS 39/IFR 4)	-	(739,705)	(653,128)
At 1 January (Restated)	(691,575)		
Transfer from profit and loss	581,068	509,279	377,370
Transfer to contingency reserve	(151,232)	(147,897)	(140,310)
IFRS 9 impact (ECL) - Cash and cash equivalents	-	(2,035)	(4,033)
IFRS 9 impact (FV gain/loss) - FVOCI	-	122	(901)
IFRS 9 impact (ECL) - Amortized cost	-	(52,986)	(257,444)
IFRS 17 impact - reinsurance contract assets	-	(138,073)	2,566
IFRS 17 impact - insurance contract liabilities	-	(120,280)	(63,825)
Restated Balance as at 31 December	(261,739)	(691,575)	(739,705)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2023 N'000	31-Dec-2022 Restated N'000
20 Insurance Result		
a Insurance Revenue		
Contract measured under PAA	5,041,051	4,966,565
b Insurance service expenses		
Incurred claims and expenses	(1,814,830)	(1,742,635)
Amortisation of insurance acquisition	(1,618,479)	(1,048,816)
Loss on Onerous and recovery	(4,609)	(41)
	(3,437,918)	(2,791,492)
c Expenses from reinsurance contracts held		
Commission earned on insurance contract	(1,328,000)	(1,210,621)
Recoveries on incurred claims	364,313	340,356
Onerous contract and changes in the loss recovery component	940	4
Net expenses from reinsurance contracts held	(962,747)	(870,261)
d Insurance finance income/(expenses)		
Finance expenses from insurance contracts issued	(33,315)	(38,845)
e Reinsurance finance income/(expenses)		
Finance income from reinsurance contracts held	17,436	17,809
<i>Insurance service expenses include 50% portion of total operating expenses incurred during the year</i>		
21. Investment Income	2023 N'000	2022 N'000
Dividend Income	87,189	23,456
Interest income on government securities	77,034	34,643
Interest on tenor deposit	83,880	32,420
	248,102	90,519
22. Exchange gains/(loss)	N'000	N'000
Profit on disposal of PPE	46	-
Exchange gain	1,305,797	476,733
	1,305,843	476,733
Exchange gain/(loss)		
The exchange rates used for the conversion of domiciliary accounts part of cash and cash equivalent placement with original maturities of about three months vary and the conversion rate for the year end placement is N899.39/\$, N938.19/£ and N994.54/€ as at 31 December 2023 base on CBN publication exchange rate		
The exchange gain reported in this financial statements represents both realised gain of N233,937,707 and unrealised gain of N1,081,859,709		
23. Other income	N'000	N'000
Sundry income	7,708	347
Provisions no longer required	-	103,428
Accrued interest	-	-
Interest on statutory deposits	18,054	12,587
	25,762	116,362
Sundry income represents income from office sub-let.		
24. Finance Costs.		
Finance costs are interests charged on various transactions with our bankers such as COT and interest cost on benefit obligation		
	N'000	N'000
Finance Costs	24,959	23,472

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	2023	2022
	N'000	N'000
<u>25. Other Operating Expenses</u>		
Staff Costs	553,833	401,459
Fuel	16,741	11,686
Repairs & Maintenance- Machine	29,687	18,024
Repairs & Maintenance- Building	2,272	1,162
Repairs & Maintenance- Vehicle	18,614	17,335
Rent, Rate & Service Charge	55,088	34,703
Electricity	5,827	6,913
Travelling Expenses	101,510	57,861
Gift and Donations	47,599	37,610
Entertainment	12,545	8,761
Public Relations	67,678	42,819
Directors' fees (NED)	12,186	21,934
Directors' expenses (NED)	33,108	46,347
Audit fee	2,750	2,250
General expenses	192,380	165,057
Depreciation	40,675	14,523
	1,192,492	888,443

Other operating expenses accountable for only 50% portion of the total other operating while the remaining 50% accounted for in insurance service expenses.

25.1 Analysis of Staff costs

Salaries	484,797	347,398
Staff training and development	24,164	15,384
Staff medical expenses	11,657	6,657
Pension Contribution	24,891	31,547
Other employee benefits	8,323	473
	553,833	401,459

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors and the Financial Controller of the Company.

	N'000	N'000
Short term employee benefits	23,117	23,117
Post employment benefits (Pension Contributions)	4,161	4,161

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	2023	2022
	N'000	N'000
25.2 General expenses		
Subscriptions-Professional Bodies	9,370	7,413
Subscriptions-Clubs & Association	256	339
Other Professional Fees	61,643	37,853
Advertisement	1,022	625
Newspapers & Periodicals	3,017	3,311
Communication Expenses	17,923	17,509
Printing & Stationeries	23,002	21,196
Filing Fee	500	250
NAICOM Levies	29,073	26,360
Stamp Duties and others	8,387	27,065
ITF Levy	3,780	2,527
Govt. Levies	1,163	270
Loss on disposal of Shares	8,449	-
Office Expenses	24,794	20,340
	192,380	165,057

26. Impairment loss allowance/reversal on financial & non-financial assets

Premium debtors	-	275,537
Reinsurance assets	142,826	122,952
Cash and cash equivalents	5,959	2,035
Financial assets (Loans)-Amortised cost	42,517	52,207
Financial assets (Bonds)-Amortised cost	1,157	779
	192,459	453,510

27. Directors' Emoluments

(a) The aggregate emoluments of Directors' were:

Fees	12,186	21,934
Expenses	33,108	46,347
	45,294	68,281

(b) The emoluments of the Chairman **21,934** 21,934(c) The emoluments of the highest paid Director **21,934** 21,934

The table below shows the number of Directors of the Company (excluding the Chairman) whose remuneration in respect of services to the Company fell within the range shown below:

	2023	2022
	Number	Number
Above N5,000,000	3	3

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****28. Employees**

(a). i. Employees, other than the executive directors, received emoluments (excluding pension contribution and other allowances) in the following ranges:

	2023 Number	2022 Number
400,001 -800,000	2	2
800,001 -1,200,000	19	19
1,200,001 -1,600,000	18	18
1,600,001 -2,000,000	13	13
2,000,001- 2,400,000	14	14
2,400,001 - 2,800,000	12	12
2,800,001 - 3,200,000	9	9
3,200,001 -4,000,000	4	4
Above N4,000,000	3	3
	94	94

28a. Staff

ii. The average number of full time person employed by the company during the year was as follows:

	2023 Number	2022 Number
Executive directors	3	3
Management staff	8	8
Non-management staff	83	83
	94	94

(b). Directors' remuneration

	N'000	N'000
Executive compensation	23,117	23,117
Directors' fees	12,186	21,934
Other directors' expenses	33,108	92,693
Defined contribution	8,322	8,322

Related parties**Transactions with key management personnel**

The Company's key management personnel, and persons connected with them are considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Sterling Assurance Nigeria Limited.

29. Comparative Figures

Comparative figures have been adjusted to conform with changes in presentation of the current year in accordance with the International Accounting Standards (IAS1) where necessary.

30. Contraventions and Penalties

The Company paid N3,172,000.00 as a penalty for re-filing of return as at 31 December, 2023

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****31. Risk Management Framework**

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions with respect to the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The primary objective of the Company's risk and financial management framework is to protect the Company's stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failure to exploit opportunities. The Management recognises the importance of having an effective and efficient risk management system in place.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the audit committee.

The Company has a policy framework which sets out the risk profiles; a risk management, control and business conduct standard for the Company's operations.

Financial risk management

The Company has exposure to the following risks arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Credit risk

i. Credit risk**Credit risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and if not available the Company uses other

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

publicly available financial information and its own trading records to rate its major policyholders and reinsurers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

At a strategic level, Company manages its credit risk profile within the constraints of its overall Risk Appetite and structures its portfolio so that it provides optimal returns for the level of risk taken. Operationally, the Insurance Company Credit Risk Management is governed by the overall risk appetite framework and aims to ensure that the risk inherent to individual exposures or certain business portfolios are appropriately managed through the economic cycle.

The Company is committed to:

- Create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
- Identify credit risk in each investment, loan or other activity of the Insurance Group;
- Utilize appropriate, accurate and timely tools to measure credit risk;
- Set acceptable risk parameters;
- Maintain acceptable levels of credit risk for existing individual credit exposures;
- Maintain acceptable levels of overall credit risk for the Company's Portfolio; and
- Coordinate Credit Risk Management with the management of other risks inherent in the Company's business activities.

Exposure to credit risk

The tables below show the maximum exposure to credit risk by class of financial asset.

Maximum Exposure to credit risk		
31 December	2023	2022
	N'000	N'000
Cash and Cash Equivalents	1,507,989	1,103,840
Debt instruments measured at fair value through OCI	1,118,375	287,365
Debt instrument at amortised cost	235,136	267,653
Trade Receivables	176,915	223,559
Reinsurance contract held	1,810,266	1,035,015
Other Receivables(Less Prepayments)	49,161	50,220
Statutory Deposit	300,150	300,150
	5,197,992	3,267,802

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

The amount reported above is gross exposure recognised on cash and cash equivalent, debt instruments at amortised cost and other receivables.

In measuring credit risk of other receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations.

ii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next 60 days.

The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

iii. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (currency risks), market interest rates (interest rate risks) and market or equity prices (price risks) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and those assets are held to deliver income and gains for policyholders which are in accordance with expectations of the policyholders.

The Company invested in money and capital market instruments, and investments in these instruments are basically for additional source of income. Therefore, the values of assets in the investment portfolio are at risk due to volatility in security prices, interest rates, and other market and economic variables.

iv. Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which premium, claims and borrowings are denominated and the respective functional currencies of Company companies. The functional currency of the Company is the Nigerian naira.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****32. 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 Group'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.

Non-life insurance contracts

The Company principally issues the following types of general insurance contracts: fire, motor, casualty, workmen compensation, personal accident, marine 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 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 and procedures exist to assess all new and on-going 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 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).

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****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 average claim costs, claim handling costs, claim inflation factors and claim numbers 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: one-off occurrence, changes in market factors such as public attitude to claims, 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.

Underwriting risk***Underwriting risk management***

Underwriting risk consists of insurance risk, persistency risk and expense risk.

Insurance risk is the risk of the loss event occurrence, or the timing and amount of the loss being different from expectation. The Company's main income generating activity is the issuance of insurance contracts and therefore insurance risk is a principal risk.

The Company is exposed to different elements of insurance risks regarding its Non-Life policies:

- Catastrophe risk: the risk of incurring significant losses as a result of catastrophic events

All policies:

- Premium risk: the risk that premiums charged to policyholders are less than claims cost on business written
- Reserve risk: the risk that the claims reserves are insufficient to cover all claims

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****Concentration of risk**

The Company monitors insurance risk per class of business. An analysis of the Company's insurance risk concentration (both before and after reinsurance) per class of business is provided in the following tables.

31-Dec-23					
Concentration of credit risk	Financial Services	Government	Public Sector	Other	Total
	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	1,507,989	-	-	-	1,507,989
Financial assets at FVOCI	-	1,120,311	-	-	1,120,311
Financial assets at Amortized cost	-	-	235,136	-	235,136
Trade Receivables	-	-	-	176,915	176,915
Reinsurance contract held	-	-	1,810,266	-	1,810,266
Other Receivables and Prepayments	-	-	-	49,161	49,161
Statutory Deposit	-	-	300,150	-	300,150
	1,507,989	1,120,311	2,345,552	226,076	5,199,928
31-Dec-22					
Concentration of credit risk	Financial Services	Government	Public Sector	Other	Total
	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	1,103,840	-	-	-	1,103,840
Financial assets at FVOCI	-	286,586	-	-	286,586
Financial assets at Amortized cost	-	-	267,653	-	267,653
Trade Receivables	-	-	-	223,559	223,559
Reinsurance contract held	-	-	1,035,015	-	1,035,015
Other Receivables and Prepayments	-	-	-	-	-
Statutory Deposit	-	-	300,150	-	300,150
	1,103,840	286,586	1,602,818	223,559	3,216,802

Fair Value Hierarchy

Level 1: Fair value measurements classified as level 1 include exchange-trade prices of fixed maturities and equity securities unadjusted in active market for identical assets.

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. This category of instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: This includes financial instruments, the valuation in which incorporate significant inputs in the assets that is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the products.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

December 31, 2023					
Asset Type		Level 1	Level 2	Level 3	Total
		N'000	N'000	N'000	N'000
*Federal Government bonds		1,120,311	-	-	1,120,311
*Quoted Investments		480,545	-	-	480,545
*Unlisted Investments		-	-	851,148	851,148
Total		1,600,856	-	851,148	2,452,004
December 31, 2022					
Asset Type		Level 1	Level 2	Level 3	Total
		N'000	N'000	N'000	N'000
*Federal Government bonds		286,586	-	-	286,586
*Quoted Investments		312,264	-	-	312,264
*Unlisted Investments		-	-	665,948	665,948
Total		598,850	-	665,948	1,264,798

33. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards or corporate behaviour. Operational risks arise from all the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- i. requirements for appropriate segregation of duties, including the independent authorization of transactions
- ii. requirements for the reconciliation and monitoring of transactions
- iii. compliance with regulatory and other legal requirements
- iv. documentation of controls and procedures
- v. requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- vi. requirements for the reporting of operational losses and proposed remedial actions
- vii. development of contingency plans
- viii. training and professional development
- ix. ethical and business standards
- x. risk mitigation, including insurance when this is effective

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the executive management of the Company.

34. Capital Management

The National Insurance Commission (NAICOM), sets and monitors capital requirements for Insurance Companies. The Company's policy is to maintain a strong capital base to foster investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and afforded by a sound capital position.

a. Capital Management Objectives

The Company has established the following capital management objectives that affect its capital structure:

To ensure that the Minimum Capital Requirement ratio as required by the Insurance Act 2003 be maintained at all times. This is a risk-based capital method of measuring the minimum amount appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile.

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

To maintain, at all times, the required level of stability of the Company thereby providing a degree of confidence to policy holders;

To maintain financial strength to support new business growth and satisfy the requirements of the policy holders, regulators and other stakeholders;

To ensure that capital is efficiently allocated and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;

To maintain adequate financial asset portfolio in order to maximize the use of fund and high solvency margin. The insurance Act, 2003 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e. in respect of outstanding claim liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

The Company is also subjected to a solvency requirement under the Insurance Act 2003 and is required to maintain its solvency at the minimum capital required at all times.

The Company's operations are also subject to regulatory requirements of the National Insurance Commission (NAICOM). Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance company and enhance its ability to meet unforeseen liabilities as they arise.

b. Capital Management Approach

The primary source of capital used by the Company is equity shareholders' funds. The Company's capital management strategy focuses on the creation of shareholders' value while meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfy regulators.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

The adequacy level of capital determines the degree of confidence that stakeholders (suppliers, clients, investors, depositors and counterparties) would have in a business. Hence, the company ensures that adequate capital exists to buffer the following:

- * Absorb large unexpected losses;
- * Provide confidence to external investors and rating agencies
- * Run operations of the Company efficient and generate commensurate returns
- * Protect clients and other creditors
- * Support a good credit rating; and
- * Maintain adequate solvency margin

c. Capital Requirement

The Federal Government of Nigeria, by Federal Republic of Nigeria Official Gazette, dated 18th January, 2022, amended the Finance Act, 2021. The Finance Act 2021 (Part IX – Insurance Act) in Sections 33, 34, and 35 contains provisions which amended Sections 9, 10 and 102 of Insurance Act, 2003, as previously related to paid-up share capital. The Sections of the Act amended the Insurance Act by substituting the words “paid-up share capital”, with the words “Capital requirement” and wherever they appear in the Insurance Act 2003. The words “Capital requirement” was introduced and inserted in Section 102 of the Insurance Act. By the provision of section 35, “Capital Requirement” means –

in the case of existing company –

- the excess of admissible assets over liabilities, less the amount of own shares held by the company,
- subordinated liabilities subject to approval by the Commission, and
- any other financial instrument as prescribed by the Commission.

For this purpose, Admissible Assets are defined as:

Share Capital, Share Premium, Retained Earnings, Contingency Reserves, and any other admissible assets subject to the approval of the Commission;

As an existing company, our capital requirement is as shown below

	2023	2022
	N'000	N'000
Paid-up Share Capital	4,064,789	4,064,789
Share Premium	70,393	70,393
Retained Earnings	(261,739)	(691,575)
Statutory Contingency Reserve	1,749,813	1,598,581
Excess of admissible asset over liabilities	5,623,257	5,042,189
Less Treasury Share		
Subordinated liabilities approved by NAICOM		
Other instruments approved by NAICOM		
Capital requirements	5,623,257	5,042,189

During the year under review, the Company complied with externally imposed capital requirements by NAICOM.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****d. Solvency Margin**

During the year under review the Company attains the minimum solvency margin requirement of N3b stipulated by NAICOM. The solvency margin achieved by the company was N4.266b compared to the minimum requirement of N3b giving a surplus of N1.266b.

Consequences of non-compliance

The consequences of non-compliance with the minimum regulatory capital as stated in Section 24 (5)-(8) of the Insurance Act, 2003 are:

- (i) The Company to make good the deficiency by way of cash payment into its account and satisfactory evidence of such payment shall be produced to the Commission within 60 days of the receipt of the directive;
- (ii) If satisfactory evidence of payment is not produced within the time stipulated, the Company shall not undertake a new insurance business until it produces satisfactory evidence of payment to the Commission;

Failure to comply with (i & ii) above, shall constitute a ground for the cancellation of the registration of the Company under section 8 of the Insurance Act, 2003.

SOLVENCY MARGIN COMPUTATION FOR THE COMPANY AS AT 31 DECEMBER, 2023				
	TOTAL		INADMISSIBLE	ADMISSIBLE
	2023		2023	2022
	N'000	N'000	N'000	N'000
ASSETS				
Cash and Cash Equivalents	1,507,989	-	1,507,989	1,103,840
<i>Financial Assets</i>				
FVOCI	2,452,004	-	2,452,004	1,264,798
Amortised cost	235,136	-	235,136	267,653
Trade Receivables	176,915	-	176,915	223,559
Reinsurance Assets	1,810,266	689,872	1,120,394	1,155,471
Other Receivables and Prepayments	150,628	149,648	980	1,627
Investment Properties	1,430,000	430,000	1,000,000	1,000,000
Property, Plant and Equipment	938,797	623,999	314,798	305,458
Statutory Deposits	300,150	-	300,150	300,150
TOTAL ASSETS (A)	9,001,884	1,893,519	7,108,366	5,622,556
LIABILITIES				
Insurance Contract Liabilities	2,176,599	-	2,176,599	903,727
Trade Payables	79,773	-	79,773	98,622
Other technical liabilities	-	-	-	24,812
Provision and Other Payables	95,976	-	95,976	102,777
Retirement Benefit Obligation	254,892	-	254,892	226,790
Current Income Tax Liabilities	234,825	-	234,825	89,660
Deferred Tax Liabilities	110,000	110,000	-	-
TOTAL LIABILITIES (B)	2,952,064	110,000	2,842,064	1,446,388
SOLVENCY MARGIN (A-B)			4,266,302	4,176,167
(Admissible Assets Minus Admissible Liabilities)				
Subject to higher of:				
Insurance contract revenue			N'000	N'000
			5,041,051	4,771,565
Less: Insurance service expenses			(3,437,918)	(2,791,492)
Net premium			1,603,134	1,980,073
15% of Net Premium Premium			240,470	297,011
OR				
Minimum capital base: Non-life business			3,000,000	3,000,000
The higher thereof:			3,000,000	3,000,000
Solvency margin surplus			1,266,302	1,176,167
Solvency Ratio			42.21%	39.21%

The Company's capital requirement ratio and solvency margin above is the requirements of the insurance Act Cap 117, LFN 2003.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS****Assets and Liabilities Management (ALM)**

The Company is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. Within the ALM framework, the Company periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Company's key management personnel. 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 distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilized in the Company's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. The notes below show how the Company has managed its financial risks.

STERLING ASSURANCE NIGERIA LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023****NOTES TO THE FINANCIAL STATEMENTS**

	Policyholders'	Shareholders'		
	Fund	& Other Fund	Total	Total
	2023	2023	2023	2022
	N'000	N'000	N'000	N'000
ASSETS				
Cash and Cash Equivalents	1,507,989	-	1,507,989	1,103,840
Financial assets at FVOCI	2,452,004	-	2,452,004	1,264,798
Financial assets at Amortized cost	-	235,136	235,136	267,653
Trade Receivables	-	176,915	176,915	223,559
Reinsurance contract assets	-	1,810,266	1,810,266	1,035,015
Other Receivables and Prepayments	-	150,628	150,628	271,590
Investment Properties	-	1,430,000	1,430,000	1,430,000
Property, Plant and Equipment	-	938,797	938,797	880,529
Statutory Deposit	-	300,150	300,150	300,150
Total Assets	3,959,993	5,041,892	9,001,884	6,777,134
LIABILITIES				
Insurance Contract Liabilities	2,176,599	-	2,176,599	903,727
Other technical liabilities	-	-	-	24,812
Trade Payables	-	79,773	79,773	73,810
Provisions and Other Payables	-	95,976	95,976	102,777
Retirement Benefit Obligations	-	254,892	254,892	226,790
Current Income Tax Liabilities	-	234,825	234,825	89,660
Deferred Tax Liabilities	-	110,000	110,000	89,784
Shareholders Fund	-	6,049,820	6,049,820	5,265,774
Total Liabilities	2,176,599	6,825,286	9,001,885	6,777,134
Surplus Asset Cover	1,783,394	(1,783,394)	(0)	(0)