

Sterling Assurance

Nigeria Limited

RC 155682

*2017
Annual Report
&
Accounts*

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TO BE A WORLD CLASS PROVIDER OF
INSURANCE AND OTHER FINANCIAL SERVICES
THROUGH INNOVATIVE IDEAS USING HIGHLY
MOTIVATED WORKFORCE AND MODERN
TECHNOLOGY TO DELIVER SUPERIOR RETURNS
TO STAKEHOLDERS,

Core Values

-  Teamwork
-  Reliability
-  Integrity
-  Responsiveness

CORPORATE INFORMATION

DIRECTORS:	PROF. T.A.J. OGUNBIYI	CHAIRMAN
	DR. F. K. LAWAL	MANAGING DIRECTOR/CEO
	MR. A. A. AKINGBADE	EXECUTIVE DIRECTOR
	MR. P. O. AWOJIDE	EXECUTIVE DIRECTOR
	MRS. A. FATADE	
	MRS. A. SUBAIR	
	DR. S. A. ALAO	INDEPENDENT, DIRECTOR
SECRETARIES:	NIGERIAN NOMINEES LIMITED NEW AFRICA HOUSE (12TH FLOOR) 31, MARINA, LAGOS, NIGERIA	
REGISTERED OFFICE:	284, IKORODU ROAD, LAGOS, NIGERIA.	
BRANCHES:	(a) S/W 1407, (OPP. HONEY PETROL STATION), RING ROAD, IBADAN. (b) PLOT 24/25, HERBERT MACAULEY WAY, WUSE, ABUJA. (c) 2, IKWERE ROAD, PORT HARCOURT. (d) 229, JAKPA ROAD, EFUNRUN WARRI. (e) 28, MCC ROAD, CALABAR. (f) 37, NIGER STREET, KANO. (g) 6, AHMADU BELLO WAY, KADUNA. (h) SUITE 10, ANIYELOYE SHOPPING MALL, ALONG FAJUJI RD., ADO-EKITI. (i) 19, UNITY ROAD, ILORIN KWARA STATE. (j) 31, MARINA, LAGOS.	
PRINCIPAL BANKERS:	ACCESS BANK PLC FIRST CITY MONUMENT BANK PLC	
AUDITORS:	AJIBADE DUROJAIYE & CO (CHARTERED ACCOUNTANTS) 27, AJAYI AINA STREET, IFAKO, GBAGADA LAGOS, NIGERIA. FRC/ICAN/2013/00000005422	
ACTUARIES	O & A HEDGE ACTUARIAL CONSULTING SUITE 28, MOTORWAYS CENTRE, ALAUSA IKEJA, LAGOS. FRC/2016/NAS/00000015764	
ESTATE VALUER	NDUBUISI MORDI & ASSOCIATES 94A, CEMETERY STREET, EBUTTE-METTA, LAGOS. NO *FRC/2013/NIESV/0000000/4196	

FINANCIAL HIGHLIGHTS

	2017 ₦000	2016 ₦000	Percentage Increase / (Decrease)
UNDERWRITING RESULT	1,273,853	810,825	57.11
PROFIT BEFORE TAXATION	414,469	385,965	7.39
TAXATION	(41,496)	(44,209)	(6.14)
PROFIT AFTER TAXATION	372,974	341,756	9.13
TRANSFER TO INSURANCE FUND	(177,901)	195,994	(190.77)
TRANSFER TO CONTINGENCY RESERVES	90,296	81,488	10.81
RETAINED EARNINGS	(1,309,246)	(1,540,811)	(15.03)
PAID - UP SHARE CAPITAL	4,050,351	4,050,351	
NET ASSETS	3,990,488	3,493,877	14.21
<u>Per share data (kobo)</u>			
Earnings	4.60	4.22	
Net Assets	49.26	43.13	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of Sterling Assurance Nigeria Limited will be held at The Function Room, Muson Centre, 8/9 Marina, Onikan, Lagos on Thursday, 20th September, 2018 at 1pm to transact the following business:-

ORDINARY BUSINESS

1. Lay before the meeting the Audited Financial Statements for the year ended 31st December, 2017 with the report of the Directors and Auditors thereon.
2. Authorise the Directors to fix the remuneration of the auditors

SPECIAL BUSINESS

3. Approve the Directors' emoluments

BY ORDER OF THE BOARD



NIGERIAN NOMINEES LIMITED
SECRETARIES

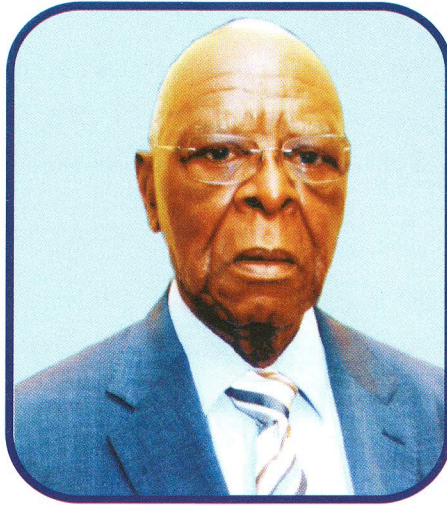
Dated: 23rd, August, 2018
Lagos, Nigeria.

NOTES

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

To be valid for the purpose of the meeting, the enclosed Proxy Form must be completed, duly executed and deposited at the office of the Company Secretaries, Nigerian Nominees Limited, New Africa House (12th Floor), 31 Marina, P. O. Box 1443, Lagos not less than 48 hours prior to the time of the meeting.

THE BOARD OF DIRECTORS



Prof. Theo A. J. Ogunbiyi
Chairman



Mrs. A. Fatade
Director



Mrs. A. Subair
Director



P. O. Awojide
Executive Director

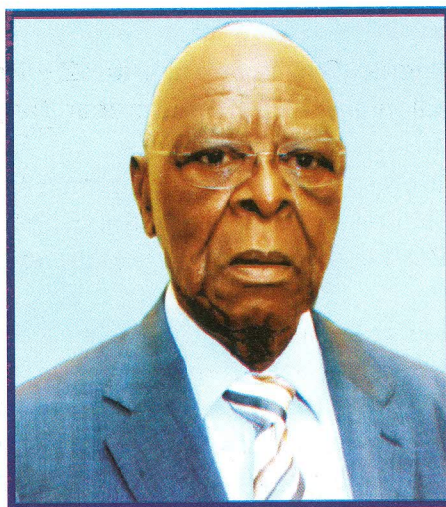


Dr. F. K. Lawal
Managing Director



A. A. Akingbade
Executive Director

CHAIRMAN'S STATEMENT



Prof. Theo A. J. Ogunbiyi
Chairman

CHAIRMAN'S STATEMENT

INTRODUCTION

Dear Shareholders, Fellow members of the Board, Invited Guests, Ladies and Gentlemen, it is my pleasure to welcome you to the Annual General Meeting of our company, the 19th since inception.

We are gathered to review the performance of the company so as to chart a new course for future growth.

GLOBAL OUTLOOK

Apparently, there was an increase in global economic activities in 2017 as against the low position in 2016. The International Monetary Fund (IMF) had a projection that the Global economic growth would rise by 3.6% during the year. The Global economy hit its strongest in six years since 2010 as the Global GDP rose by 3% in 2017 as against the estimated figure of 2.4% in 2016. The positive change can be attributed to improvement in business and consumer confidence in addition to a rebound in global investments. There was a reasonable jump in the price of Crude Brent from about \$27 per barrel to about \$60 per barrel, the highest level since 2015.

OPERATING ENVIRONMENT

It is on record that by second quarter of 2017, the country's economy recovered from the recession that it faced beginning from the early part of year 2016. The early recovery from the recession was driven by improved performance of oil, agriculture, manufacturing and trade sections of the economy.

CHAIRMAN'S STATEMENT

Going by the Central Bank of Nigeria (CBN) fourth quarter 2017 report, gross oil receipt at the end of 2017 was N1,226.04 billion and 82.10% more than that of the preceding year 2016 which was N673.10 billion.

The improvement in the Agricultural sector was made possible because of the guarantee given to the farmers under the Agricultural Credit Guarantee Scheme (ACGS) introduced by the Federal Government during the last quarter of the year under review.

Looking at the manufacturing sector, the estimated index of production in the fourth quarter of 2017, at 178.0 indicated 4.66% increase above the level in the preceding year. This was made possible because of the constant supply of foreign exchange and stability in the Naira exchange rate which aided the importation of critical raw materials as well as intermediate goods for domestic production. The official exchange rate of the Naira to a Dollar was pegged at N305.50.

In addition, measures taken by the CBN among other things, the introduction of Investors' and Exporters' window (NAFEX rate) helped to attract inflow of foreign portfolio investment, therefore improving foreign exchange liquidity. There was therefore a new convergence between the official exchange rate of the Naira and the parallel market rate with a stability at N365 to 1 USD. There was also a move by the Federal Government towards an improved economy with the launch of the Economic Recovery and Growth Plan where improvement in the Ease of Doing Business rankings became a major focus through enactment of some Executive orders to ease trade.

The inflation rate in 2017 however improved from a high of 18.7% in January to 15.4% in December after declining for the eleventh consecutive months. The CBN continued with its tight monetary policy position maintaining a largely unchanged Monetary Policy Rate of 14%. Also, from a negative growth of 6.17% in 2016, the Nigerian Equities market grew by 42% in 2017, ranking among the top five after Argentina, Turkey, Hong Kong and the United States.

NIGERIAN INSURANCE ENVIRONMENT

Despite the slight improvement in the economy as indicated in the above analysis, inflation rate remained high and did not hit the envisaged single digit leaving the generality of insurance consumers with low disposable income. Turnovers of operating firms remained low during the year as the retail market is yet to be fully explored.

The premium income of the entire industry increased from N100.6 billion in 2007 to N311 billion in 2015 and subsequently moved by 22% in 2016 to N380 billion. This however falls short of projections by the Regulator – National Insurance Commission (NAICOM) that the sector would grow its overall premium to about N1 trillion based on optimism of positive results from various initiatives.

CHAIRMAN'S STATEMENT

OPERATING RESULTS

The company's gross premium income increased by 10.8% from N2.716 billion in 2016 to N3.010 billion in 2017 while the net premium increased by 16% from N2.092 billion in 2016 to N2.426 billion in 2017.

Investment and other income decreased from N603.7 million to N448.8 million, a 25.7% decrease. Profit before tax increased by 7.4% from N386 million to N414.5 million in 2017 while profit after tax rose by 9.14% from N341.76 million to N373 million.

BOARD APPOINTMENT

Mr. P. O. Awojide, our Executive Director (Finance & Administration) retired on 31st December 2017, while Mr. S. A. Adegbesan, formerly General Manager (Technical) was appointed Executive Director (Technical) with effect from 1st January 2018. Mr. Adegbesan's appointment is hereby presented for ratification.

FUTURE OUTLOOK

The current operating environment is an improvement over the previous one and this has culminated in a slight economic growth in the last few months.

Although we have not attained our envisaged target, with the inflation still far from single digit, my hope is that as we embark on the journey to the future together, we shall continually grow the bottom line.

The year coming may be full of uncertainties in view of the 2019 general elections, but we keep our hope alive as it will result in positive changes for the nation as well as the fortune of Sterling Assurance Nigeria Limited.

We are intensifying effort in improving the retail outlet and develop new products for our ever-growing clientele among other things.

APPRECIATION

In conclusion, all thanks be to God for another business year.

I also want to specially thank our esteemed shareholders for the patience exhibited so far and the confidence you have in our company.

At this juncture, I also want to thank our management and staff for their continued efforts in keeping our company afloat. Finally, my thanks go to all our clients, intermediaries, consultants, regulatory authorities and my esteemed colleagues on the Board.

Thank you all.

PROF. THEO A. J. OGUNBIYI

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2017

1. REPORT

The Directors forward to the members herewith the Audited Accounts for the year ended 31st December, 2017

2. RESULT

	2017	2016
	₦000	₦000
Underwriting Result	1,273,853	810,825
Investment & Other Income	448,287	603,747
Profit/(Loss) Before Tax	414,469	385,965
Profit/(Loss) After Tax	372,974	341,756

3. PRINCIPAL ACTIVITY

The Company's principal activity is the provision of General Insurance Underwriting and Risk Management Services.

4. DIRECTORS

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

	2017	2016
	Units	Units
Prof. T.A.J. OGUNBIYI (Chairman)	56,525,469	56,525,469
Mr. F. K. LAWAL (Managing)	50,000,000	50,000,000
MRS. A. O. FATADE	NIL	
MRS. AJIBABI SUBAIR	NIL	
MR. A. A. AKINGBADE	NIL	
MR. P. O. AWOJIDE	NIL	(Retired with effect from 31st Dec., 2017)

5. STAFF

The number of staff presently in employment is:	2017	2016
MANAGEMENT	10	10
NON-MANAGEMENT	108	108

6. RETIREMENT

Mr. P. O. Awojide voluntarily retired as the member of the Board with effective from 31st December, 2017.

6. RESPONSIBILITIES OF DIRECTORS

The Directors are responsible for the preparation of the Financial Statements which give a true and fair view of the state of affairs of the Company as at 31st December, 2017 and of its result for that period and comply with the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004. These responsibilities include ensuring that:-

- (i) Adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities.
- (ii) Proper accounting records are maintained.
- (iii) Applicable accounting standards are followed.
- (iv) Suitable accounting policies are used and consistently applied
- (v) The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- (vi) The Directors are responsible for safeguarding the assets of the Company.
- (vii) Judgements and estimates are reasonable and prudent.

7. DONATIONS

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

8. POST STATEMENT OF FINANCIAL POSITION

There are no post Statement of Financial Position events which could have had any material effect on the state of affairs of the Company as at 31st December, 2017 and on the profit for the period ended on that date, which have not been adequately provided for.

9. EMPLOYMENT AND EMPLOYEES

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

10. 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 Staff Trust Fund.

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2017

11. 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.

12. AUDITORS

In accordance with Section 357(2) of the Companies and Allied Matters Act 1990, Messrs Ajibade Durojaiye & 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.

LAGOS, NIGERIA

BY ORDER OF THE BOARD



12TH APRIL, 2018.

NIGERIAN NOMINEES LIMITED

S E C R E T A R I E S



AJIBADE DUROJAIYE & CO.

CHARTERED ACCOUNTANTS

27, Ajayi Alina Street, Ifako-Gbagada, Lagos. P. O. Box 70305, Victoria Island, Lagos, Nigeria.
Tel: 0809 070 8799, 0803 201 5127, 0802 330 5714, 0803 787 3651
Email: ajibadedurojaiye@yahoo.com

REPORT OF THE AUDITORS

To the Members of Sterling Assurance Nigeria Limited.

Report on the Audit of the Financial Statements.

Our Opinion

In our opinion, Sterling Assurance Nigeria Limited financial statements give a true and fair view of the financial position of the Company as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Company and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, Insurance Act 2003 & the relevant policy guidelines issued by the National Insurance Commission of Nigeria (NAICOM) and Financial Reporting Council of Nigeria Act 2011.

What we have audited

Sterling Assurance Nigeria Limited Financial Statements comprise:

- Statement of Financial Position as at 31st December, 2017;
- Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- Statement of Changes in Equity for the year then ended;
- Statement of Cash flows for the year then ended; and
- The notes to the Financial Statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Boards for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Valuation of Insurance Contract Liabilities (Note 16)

We focused on this area due to the size of the insurance liability balance and because the valuation of claims Incurred But Not Reported (IBNR) are dependent on a number of assumptions about future experience.

The actuarial assumption applied in estimating amounts for IBNR include the expected average ultimate annual loss ratio. This estimate relies on the quality of the underlying data and involves complex and subjective judgments about future events.

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

How our audit addressed the key audit matter.

We evaluated the design effectiveness and implementation of key controls over claims and provision for outstanding claims balance.

AUDITORS' REPORT (CONT'D)

We reviewed the valuation methodology for compliance with IFRS. We evaluated whether the actuarial methodologies were consistent with those used in prior periods. We assessed the competence, independence and objectivity of the Company's Actuaries.

We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking to claims, underwriting and other data.

We considered recent experiences and the appropriateness of the judgment applied by Management on how future experiences will evolve and verified that the valuation considered the current estimate of all contractual cash flows.

Valuation of Investment Properties (Note 12)

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 following:

Corporate Information, Internal Control and Risk Management Systems, Enterprise Risk, Directors Report, Five-Year Financial Summary, Value Added Statements, General Business Revenue Account, and Hypothecation, (but does not include the financial statements and our Auditors' Report thereon), which we obtained prior to the date of this Auditors' Report and with the Chairman's Statement are believed to be adequate for our audit purpose.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this Auditors' Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read company's complete annual report and conclude that there is a material misstatement thereon we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those Charged with governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Companies and Allied Matters Act (CAMA), the Nigerian Insurance Act and the Financial Reporting Council of Nigeria Act and for such Internal control as the Directors may determine 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 cease operations, or have no realistic alternative but to do so.

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

AUDITORS' REPORT (CONT'D)

Auditors' Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statement 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 our audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

The actuarial assumption applied in estimating amounts for IBNR include the expected average ultimate annual loss ratio. This estimate relies on the quality of the underlying data and involves complex and subjective judgments about future events.

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

How our audit addressed the key audit matter

We evaluated the design effectiveness and implementation of key controls over claims and provision for outstanding claims balance.

We reviewed the valuation methodology for compliance with IFRS. We evaluated whether the actuarial methodologies were consistent with those used in prior periods. We assessed the competence, independence and objectivity of the Company's Actuaries.

We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking to claims, underwriting and other data.

We considered recent experiences and the appropriateness of the judgment applied by Management on how future experiences will evolve and verified that the valuation considered the current estimate of all contractual cash flows.

Valuation of Investment Properties (Note 12)

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.

AUDITORS' REPORT (CONT'D)

Other Information

The Directors are responsible for the other information. The other information comprises the following:

Corporate Information, Internal Control and Risk Management Systems, Enterprise Risk, Directors Report, Five-Year Financial Summary, Value Added Statements, General Business Revenue Account, and Hypothecation, (but does not include the financial statements and our Auditors' Report thereon), which we obtained prior to the date of this Auditors' Report and with the Chairman's Statement are believed to be adequate for our audit purpose.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this Auditors' Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the Company's financial statements. We are responsible for the directions, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20 (LFN 2004) and Section 28(2) of the Insurance Act, 2003

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 (LFN 2004) and Section 28 (2) of the Insurance Act, 2003 which require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

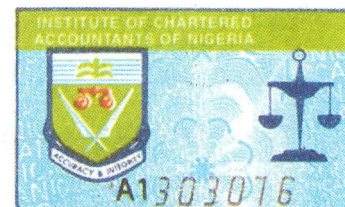
- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) The Company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us; and
- iii) The Company's Statements of Financial Position and Statement of Comprehensive Income are in agreement with the books of account

Contravention

The Company contravened certain sections of the National Insurance Commission of Nigeria's Operational Guidelines during the year. The details of the contravention and penalty paid are disclosed in note 38 of financial statements.



Dauda A. Adebesin, ACA, FRC/2017/ICAN/00000016398
For: **Ajibade Durojaiye & Co.**
Chartered Accountants
Lagos, Nigeria.
12th April, 2018.



General Information

1.1 Reporting entity

The Company, Sterling Assurance Nigeria Limited formerly, known as Whispering Hope Insurance Limited was incorporated as a Limited Liability Company on 11th 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 underwriting, claims payment and investment. Its head office and registered office is at 284, Ikorodu Road, Lagos, Nigeria.

These Financial Statements were authorised for issue by the Board of directors on 12th April, 2018.

1.2 Regulation

Sterling Assurance Nigeria Limited is regulated by the National Insurance Commission, NA1COM and all regulatory requirements and guidelines of the Commission are operative. This regulatory requirements, is a rigid observance of the 'no premium, no cover' provision of the Insurance Act, 2003.

1.3. Going concern

The Company is a going concern entity with very profitable operations and ready access to financial resources. These financial statements were prepared on a going concern basis.

2. Basis of preparation

2.1. Statement of compliance

These financial statements have been prepared using critical accounting estimates and judgements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. (The IASB), the Insurance Act of Nigeria and the relevant National Insurance Commission (NAICOM) guidelines and circulars, Company and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, 2011 and other relevant statutes to the extent that they do not conflict with the provisions of IFRSs.

The financial statements present fairly the statement of financial position, statement of comprehensive income and the statement of cash flows of Sterling Assurance Nigeria Limited for the year ended 31st December, 2017.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by the

revaluation of certain non-current assets except for the following material items in the statement of financial position:

- i) available-for-sale financial assets which are measured at fair value;
- ii) investment property is measured at fair value.

3. New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company.

- (i) Amendments to 1AS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses.

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

The Company applied amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company's accounting policy has been consistent with the amendments.

- (ii) Amendments to IAS 7: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has no such liability classified as such and therefore these amendments did not affect the Company's financial statements.

Standards issued but not yet effective

- (I) IFRS 9 - Financial Instruments

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018. (The initial effective date was January 1, 2015, but due to delay in completing the rest of the phases of the project, the effective date has been moved out to 2018).

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, we will now have two main categories of financial assets i.e. Fair value and amortized cost (as opposed to the four categories prescribed by IAS 39 -fair value through profit and loss, loans & receivables, held to maturity and available -for-sale financial assets) but will potentially have no impact on classification and measurements of financial instruments.

Though IFRS 9 takes effect from Jan. 2018 the company opted to apply IFRS 9 in conjunction with IFRS 17 on or after Jan. 2021 within limits of other IFRS pronouncements thereon.

ii. IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company expects to apply IFRS 15 using the modified retrospective application, Given insurance contracts are scoped out of IFRS 15, the Company expects the main impact of the

new standard to be on the accounting for income from tenancy contracts on investment properties as well as investment management services. The Company does not expect the impact to be significant.

(iii) IFRS 17 - Insurance Contracts

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

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

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured