ANNUAL REPORT & ACCOUNT

2015

Fusion. Focus. Future

SOVEREIGN TRUST
INSURANCE PLC

...We've got you covered!

Vision

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

Mission

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

Core Values

Superior Customer Service
Innovation
Professionalism
Integrity
Empathy
Team Spirit

what's inside

Due diligence

Possessing sufficient technical depth
A target to lead through distinction!

For over two decades we have
worked at establishing a forte to have you covered on all sides.

STI! working tirelessly at assuring your future.


Smart drivers
cover their vehicles
with
STI Motor Insurance Policy
SOVEREIGN TRUST
INSURANCE PLC
SOVEREIGN TRUST
INSURANCE PLC
Branches Nationwide

OUR BUSINESS

Sovereign Trust Insurance Plc commenced business in January 1995 following the restructuring and recapitalization of the then Grand Union Assurances Limited. The Company went into operation with an authorized and paid up capital of N30 million and N20 million respectively. The Company, currently having its Corporate Head Office at 17, Adetokunbo Ademola Street, Victoria Island, Lagos with 17 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (PLC) on the 7th of April 2004, and was listed on the Nigerian Stock Exchange on 29th November, 2006.

The Board of Directors of the Company is made up of reputable individuals who have distinguished themselves in different fields of endeavor.

PRODUCTS AND SERVICES

Sovereign Trust Insurance Plc is presently operating as a non-life insurance company and we have a wide range of insurance products and services that are tailored to meet the specific needs of the company's clients. Some of our products amongst others include: Marine & Aviation, Motor Insurance (Third Party & Comprehensive), Special Risks, Energy Risks, Builders Liability, Healthcare Professional Indemnity, Occupiers' Liability and Sovereign Wellbeing Insurance Scheme for the Family (SWIS-F) to mention a few.

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

Sovereign Trust Insurance Plc also provides comprehensive risk management services. The company carries out various risk surveys and make

OUR BUSINESS CONT'D.

appropriate recommendations towards risk improvement and minimization of loss impacts.

Currently, our authorized share capital is N5.25Billion divided into 10.5billion units of 50 kobo per share. We have a total equity of over N4Billion. The ownership of the company is made up of diverse shareholders from wide range of individuals and institutional investors with a robust Board of Directors of distinguished personalities.

Following the Federal Government's directive on recapitalization and consolidation which ended on February 28, 2007; Sovereign Trust Insurance Plc was among the licensed companies to underwrite general insurance business having consummated a merger arrangement with the erstwhile Confidence Insurance Plc, Coral International Insurance Company Limited and Prime Trust Insurance Company Limited.

INTERNATIONAL RATING

Just as the dust of recapitalization was settling down, Sovereign Trust Insurance Plc submitted itself to a thorough solvency and liquidity examination to ascertain the level of its capacity in the industry. At the end of the exercise, the company was rated A- by the international rating agency, the Global Credit Rating, GCR, in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014 respectively.

OUR BUSINESS CONT'D.

The considerations for the rating were based on the high claims paying ability, the good mix of business across the risk classes, high profile of the multinational oil and downstream clients, increased underwriting capacity strengthened by the new capital base and geographical spread of the branches.

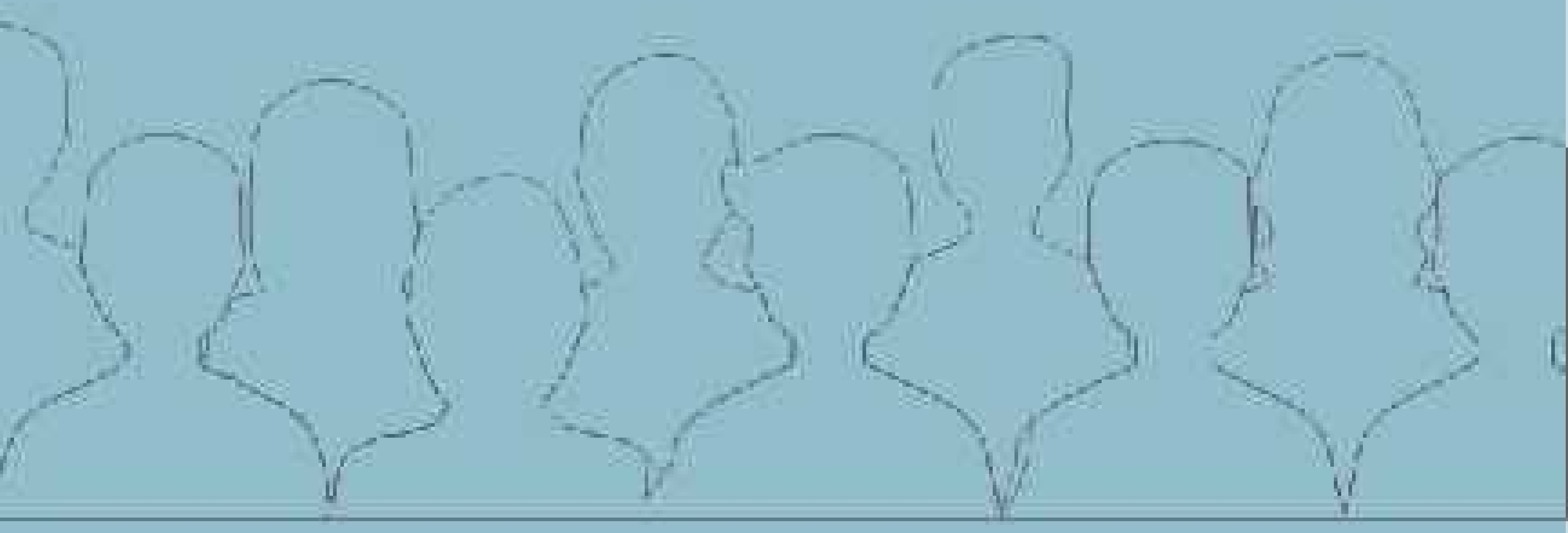
REINSURANCE TREATY COVER

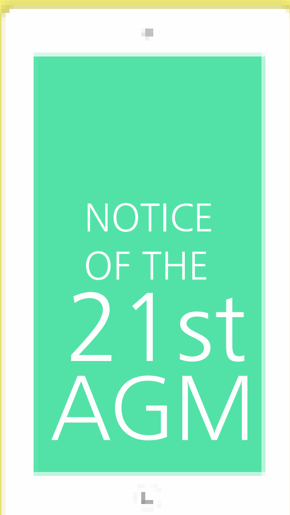
We have arranged very adequate reinsurance treaties to enable us accommodate risks with high sums insured and to provide us with the necessary support in the event of large claims. Our treaties are arranged with some of the renowned international and reputable reinsurance companies.

From inception, the company moved from an average industry rating to a leading position, investing in the best of people and technology, improving on processes, growing market share at an average annual growth rate of 30%, and thereby expanding its balance sheet size.

Sovereign Trust Insurance Plc continues to be the lead underwriter for most of the major oil and gas projects in Nigeria. The company continuously strives to be amongst the top five insurance companies in Nigeria.

21ST AGM Notice





NOTICE IS HEREBY GIVEN that the **21st Annual General Meeting of Sovereign Trust Insurance PLC** will take place at **the Grand Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos** on Wednesday **10th day of August 2016, at 11.00 a.m.** to transact the following businesses:

ORDINARY BUSINESS:

1. To lay before the Meeting the Audited Financial Statements for the year ended December 31, 2015, and the Reports of the Directors, the Auditors and the Audit Committee thereon.

2. To approve the appointment of the following directors:

a.	Mr. Olaotan Soyinka	-	(Managing Director/CEO)
b.	Mrs. Ugochi Odemelam	-	(Executive Director)
c.	Ms. Emi Faloughi	-	(Non-Executive Director)
d.	Mr. Adedamola Dania	-	(Non-Executive Director)
e.	Ms. Omozusi Iredia	-	(Non-Executive Director)

3. To ratify the appointment of Ernst & Young as the new Auditors to replace the retiring Auditors, SIAO, in accordance with Section 357(1) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect the Shareholders' representatives on the Audit Committee.
6. To consider and if deemed fit to pass the following resolution as an ordinary resolution:

That the Directors' fees for the year ended December 31, 2015 be and is hereby fixed at ₦5,000,000.00.

DATED THIS 13TH DAY OF JULY 2016

BY ORDER OF THE BOARD

Yetunde Martins
Equity Union Limited
Company Secretaries

NOTES

PROXIES

Only a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his/her stead. All valid instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, Meristem Registrars Limited, 213 Herbert Macaulay Street, Ebute-Metta, Alagomeji, Yaba, Lagos, not less than 48 hours before the time fixed for the meeting.

CLOSURE OF REGISTER

The Register of members will be closed from 11th day of July 2016 to 15th day of July 2016 (both days inclusive) to enable the Registrars make necessary preparations for the Annual General Meeting.

AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, a shareholder may nominate another shareholder for appointment to the Audit and Compliance Committee. Such nomination should be in writing and reach the Company Secretary not less than 21 days before the Annual General Meeting.

RIGHTS OF SECURITIES' HOLDERS TO ASK QUESTIONS

Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before 27th day of July, 2016.

Corporate
Information

Company's Registration number RC 31962

Directors
H.H. (Dr.) Ephraim F. Faloughi, OON
(Chairman) (Rtd.)
Mr. Oluseun O. Ajayi
(Chairman)
Mr. Bolaji Agbabiaka (Rtd.)
Mr. Kolapo Lawson (Rtd.)
Mrs. Adefemi Abeke Taire, OFR (Rtd.)
Sir (Dr.) Ogala Osoka, MFR (Rtd.)
Prof. Steve Azaiki, OON (Rtd.)
Col. Musa Shehu (Rtd.), OFR
(Independent Director)
Mr. Samuel Ogbodu
(Executive Director/COO) (Rtd.)
Mr. Olawale Onaolapo
(Managing Director/CEO) (Rtd.)
Mr. Olaotan Soyinka
(Managing Director/CEO)
Ugochi Odemelam
(Executive Director/Marketing &
Business Development)

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

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

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

Registrars
Meristem Registrars Limited
213, Herbert Macaulay Way
Sabo, Yaba
Lagos

Actuary
HR Nigeria Limited
7th floor, Aiico Plaza
Churchgate Street
Victoria Island
Lagos.

Auditors
SIAO (Chartered Accountants)
18b Olu Holloway Road
Off Alfred Rewane Road, Ikoyi
P.O.Box 55461, Falomo
Ikoyi, Lagos.
Tel: +234 01 463 0871-2
Website: www.siao-ng.com
E-mail: enquiries@siao-ng.com

Reinsurers
Africa Reinsurance Corporation
Aveni Reinsurance Company Limited
Continental Reinsurance Company Limited
WAICA Reinsurance Pool

Bankers
Access Bank Plc.
Diamond Bank Plc.
Ecobank Plc.
FCMB Plc.
Fidelity Bank
First Bank
Guaranty Trust Bank Plc.
Heritage Bank Limited
Skye Bank Plc.
Standard Chartered
UBA
Unity Bank Plc.
Zenith Bank Plc.

CORPORATE INFORMATION CONT'D.

Business Information

ED, Marketing and Business Development
Contact: Ugochi Odemelam
08099929134

Head, Technical
Contact: Tajudeen Rufai
08099929122

Our Branch Network

ABA BRANCH OFFICE
Contact: Adaeze Egbechuo
97,Azikwe Road,
Aba, Abia State.
Tel:08035084848, 08182980620

ABUJA AREA OFFICE
Contact: Mohammed Alfa
40, Agadez Crescent,
Off Aminu Kano Street
Wuse 2, Abuja.
Tel:08033117696

AKURE BRANCH OFFICE
Contact: Niyi Aiyenimelo
3, Alagbaka Junction
Akure, Ondo State.
Tel:08099928084

APAPA AREA OFFICE
Contact: Kola Azeez
20, Commercial Road,
Apapa, Lagos.
Tel:8099929181

ENUGU BRANCH OFFICE
Contact: Ikechukwu Onoh
112, Ogui Road,
Enugu State.
Tel:08035444837

IBADAN AREA OFFICE
Contact: Adu Makinde
87, Obafemi Awolowo Road,
Oke-ado, Ibadan,
Oyo State.
Tel:08178654951

IKEJA AREA OFFICE
Contact: Olabisi Akinsanya
11, IPM Avenue, Off
Obafemi Awolowo Way,
Alausa, Ikeja,
Lagos State.
Tel:08099929147

ILORIN BRANCH OFFICE
Contact: Tejumade Emmanuel
Plot 20, IrewoledeYidi Road,
Ilorin, Kwara State.
Tel:08099929137

KADUNA BRANCH OFFICE
Contact: Peter Yamai
CB Finance House,
16E, Ahmadu Bello Way,
Kaduna, Kaduna State.
Tel:08099925307

KANO BRANCH OFFICE
Contact: Suleiman Bazza
4C, Muritala Mohammed Way,
Kano State.
Tel:08099928125

LAGOS CENTRAL
Contact: Segun Adeyemo
21, Boyle Street, (8th Floor)
Onikan, Lagos State.
Tel:08099929124

CORPORATE INFORMATION CONT'D.

LEKKI AGENCY OFFICE
Contact: Adejare Adebowale
C 311, Road 5,
Ikota Shopping Complex,
Lekki-Ajah,
Lagos State.
Tel:08121124212

MARKETING AND BUSINESS DEVELOPMENT DIVISION
Contact: Emmanuel Anikibe
Plot 1217, Ibiyinka Olorunnibe Street,
Victoria Island,
Lagos State.
Tel:08099928102

PORT-HARCOURT AREA OFFICE
Contact: Angela Uche-Onochie
Plot 11, Peter Odili Road,
By Maxwell Adoki Street,
Trans-Amadi Industrial Layout,
Port- Harcourt, Rivers State.
Tel:08186690234

SURULERE AREA OFFICE
Contact: Lekan Alayande
13, Razak Balogun Street,
Surulere, Lagos State.
Tel:08187300570

WARRI BRANCH OFFICE
Contact: Eruaga Izehikholo
Suite 13/14, Nosky Plaza,
Opposite Shell Contractor's
Gate, ogunu, Warri,
Delta State.
Tel:08182397174

YENAGOA BRANCH OFFICE
Contact: Chiajulam Anyatonwu
53, Mbiama-Yenagoa Road,
Bond Bank Building,
Yenagoa,
Bayelsa State.
Tel: 08033821451

TRADE FAIR OFFICE
Contact: Loretta Eze
Yobe Plaza,
Shop B002,001,041,42
International Centre for Commerce,
Trade Fair Complex (BBA),
Badagry Express Way,
Lagos State.
Tel:08077720646

CORPORATE INFORMATION
Contact: Segun Bankole
Corporate Communications & Brand Management.

HEAD OFFICE
17, Adetokunbo Ademola Street,
Victoria Island, Lagos.
Tel:01-4611237,
Website: www.stiplc.com
08099929157, 08033076114
E-mail: Info@stiplc.com

CORPORATE INFORMATION CONT'D.

Management Team

Wale Onaolapo
Managing Director/CEO (Rtd.)

Samuel Ogbodu
Executive Director/COO (Rtd.)

Olaotan Soyinka
Managing Director/CEO

Ugochi Odemelam,
Executive Director, Marketing & Business Development

Kayode Adigun
GM/Divisional Head, Finance & Administration

Tolu Fasoranti
DGM/Head, Brokers' Department

Sanni Oladimeji
DGM/Head, Risk Management & Compliance

Segun Bankole
AGM/Head, Corporate Communications & Brand Management

Olalekan Oguntunde
AGM/Head, ICT

Olanrewaju Ojuola
AGM/Head, Strategy & Corporate Planning

Emmanuel Anikibe
AGM/Head, Marketing & Business Development Division

Mohammed Alfa
AGM/Head, Northern Area Operations

Samuel Oseni
AGM/Head, Internal Audit

Angela Uche-Onochie
AGM/Head, Eastern Area Operations

Financial Highlights

Results at a glance

	Dec. 2015	Dec. 2014	Change	
	₦'000	₦'000	₦'000	%
Cash and cash equivalents	**2,582,695**	2,236,083	**346,612**	**16**
Trade receivable	**115,751**	57,551	**58,200**	**101**
Financial Assets	**929,904**	866,956	**62,948**	**7**
Property, Plant and Equipment	**842,381**	783,098	**59,283**	**8**
Other Receivables and Prepayments	**430,493**	158,710	**271,783**	**171**
Investment in Associate	**58,104**	49,202	**8,902**	**18**
Investment in properties	**1,358,254**	1,339,084	**19,170**	**1**
Deferred acquisition costs	**567,819**	568,819	**(1,000)**	**(0)**
Reinsurance assets	**1,822,099**	2,011,841	**(189,742)**	**(9)**
Statutory deposit	**315,000**	315,000	**0**	**-**
Intangible assets	**29,424**	25,775	**3,649**	**14**
Deffered tax asset	**212,945**	80,725	**132,221**	**164**
Total Assets	**9,264,870**	8,492,846	**772,024**	**9**
Trade payables	**313,403**	140,147	**173,255**	**124**
Retirement benefit obligations	**210,488**	240,689	**(30,201)**	**(13)**
Insurance contract liabilities	**3,046,784**	3,073,723	**(26,939)**	**(1)**
Debt securities in issue	**531,976**	806,590	**(274,615)**	**(34)**
Other payables & accruals	**119,916**	37,905	**82,011**	**(216)**
Current tax payable	**17,108**	32,937	**(15,829)**	**(48)**
Total liabilities	**4,239,674**	4,331,991	**(92,317)**	**(2)**
Issued share capital	**4,146,052**	3,435,879	**710,173.49**	**21**
Share premium	**116,843**	116,843	**-**	**-**
Available-for-sale reserve	**1,171**	13,416	**(12,245)**	**(91)**
Contingency reserve	**1,885,194**	1,671,227	**213,967**	**13**
Retained earnings	**(1,124,065)**	(1,486,794)	**362,729**	**24**
Deposit for Share	**-**	410,284	**(410,284)**	**(100)**
Total Equity	**5,025,195**	4,160,855	**864,340**	**21**
Comprehensive Income				
Gross premiums written	**7,132,224**	7,286,511	**(154,287)**	**(2)**
Net underwriting Income	**4,345,697**	5,087,120	**(741,423)**	**(15)**
Investment, Fee and Other Income	**748,259**	755,153	**(6,894)**	**(1)**
Total Revenue	**5,093,956**	5,842,273	**(748,317)**	**(13)**
Claims expense	**(1,506,511)**	(2,181,184)	**674,674**	**31**
Other Expenses	**(2,730,040)**	(2,852,936)	**122,897**	**4**
Total Benefits, Claims and Other Expenses	**(4,236,550)**	(5,034,121)	**797,570**	**16**
Profit Before Tax	**454,846**	326,021	**128,825**	**40**
Income tax expense	**127,363**	(31,078)	**158,441**	**510**
Profit For the Year	**582,209**	294,943	**287,266**	**97**
Other Comprehensive Income for the year, net of tax	**19,667**	(27,869)	**47,536**	**171**
Total Comprehensive Income for the year, net of tax	**601,876**	267,074	**334,802**	**125**
Basic Earnings Per Share	**5.82**	4.74	**1.08**	**23**
Diluted Earnings Per Share	**5.82**	4.74	**1.08**	**23**

Chairman's Statement

Mr. Oluseun O. Ajayi
Chairman

CHAIRMAN'S STATEMENT

Distinguished Shareholders, representatives of the various regulatory authorities, invited guests, gentlemen of the press, ladies and gentlemen. It is my utmost pleasure to welcome you all to the 21st Annual General Meeting of our dear company, Sovereign Trust Insurance Plc. As you are all aware, this will be my first official assignment upon assumption of office as the Chairman of our great company following the retirement of our erstwhile Chairman, H.H. (Dr.) Ephraim Faloughi, OON, from the Board of Directors of the company on 7th April 2016.

Please join me in saying a very big thank you to our pioneer Chairman and other Directors of the company who have also retired from the Board upon the completion of their tenure for their meritorious service to the company over the years. It is my prayer that the good Lord will continually be with them as they move on in their various endeavours in life.

THE GLOBAL BUSINESS ENVIRONMENT

Indeed, it was not the best of times for most of the oil producing nations in the year under review as the price of crude oil fell to an all-time low of $28. Although, the commodity has recorded some modest gains, the outlook remains gloomy with consequential negative impact on global economy. Growth in emerging and developing economies still accounts for larger contribution in global growth but has weakened considerably over the few years.

Gradual slowdown and rebalancing activity in China away from investment and manufacturing towards consumption and services affected the global output to a large extent in the course of the year. Beside the lower prices of energy and other commodities, the tightening in

CHAIRMAN'S STATEMENT CONT'D.

monetary policy in the United States also played a major role in shaping the performance of the global economy.

Overall, financial conditions in advanced economies remain very accommodative and promising. The Chinese yuan is also looking promising as it took a great leap in its quest to become a key international currency in the course of the year. It was accepted as part of the basket of currencies, alongside the United States Dollar, the Euro, the British Pound and Japanese Yen in the International Monetary Fund's Special Drawing Rights.

OPERATING ENVIRONMENT

Nigeria's Gross Domestic (GDP) for year 2015 slowed to 2.79% year-on-year in real terms lower by 3.83% from growth recorded in 2014. The country's growth was largely driven by activities in the non-oil sector with huge happenings in Trading, Crop Production and Information and Communication services.

For the first time in the democratic experience of the country, the opposition took the mantle of leadership through a tense and tension soaked election but seamless transition indicating a strong sign of Nigeria's commitment to democracy and civil rule.

Inflation was on a continuous increase during the year as it closed at 9.3% in December, 2015. The upward trend in consumer price index is not unconnected with the 2015 election spending, the weakening of the Naira at the parallel market as well as shortage of petroleum products with its multiplier effect on transportation

CHAIRMAN'S STATEMENT CONT'D.

costs and other consumer products.

The market capitalization which opened for the year at N11.478 trillion, lost N1.628 trillion to close at N9.850 trillion on December 31, 2015, due to huge price losses. The uncertainty around the Naira also created a significant country risk and this made several Foreign Investors exit the Nigerian bourse.

THE INSURANCE INDUSTRY

The Nigeria Insurance Industry in 2015 witnessed a number of activities in the course of the year. The National Insurance Association (NIA) inaugurated fourteen Insurance companies to operate the technical management board of the Energy and Allied Risks Insurance Pool of Nigeria (EAIPN). Our dear company is a member of the committee. This move will enable the industry to retain capacity in oil and gas risks underwriting, curb capital flight and grow the local market in energy and allied risks underwriting.

There was a change of baton in the leadership of NAICOM as Alhaji Mohammed Kari replaced Mr. Fola Daniel who successfully served two terms at the Commission.

OUR OPERATING RESULTS

In spite of the tough operating terrain, your company has sustained a considerable growth in Profit after Tax (PAT) with a record 97% increase from N294.94 million recorded in 2014 to N582.21 million in 2015. This achievement is traceable to several cost reduction mechanism adopted by the company in the course of the year.

CHAIRMAN'S STATEMENT CONT'D.

However, we experienced a slight fall in Gross Premium Written (GPW) and underwriting profit for the year. The performance is not unconnected to the harsh operating terrain and policy uncertainty experienced in the country during the year.

We have deployed measures and strategies aimed at increasing income generation and position the brand more competitively while continuing relevant cost reduction measures in all areas of our operations. This, I believe will shore up growth and profitability of the company in the years ahead.

BOARD CHANGES

May I inform this gathering of the recent retirement of some of our Directors upon the expiration of their tenure on April 7, 2016. The retired directors are: H.H. (Dr.) Ephraim Fagha Faloughi, OON, Mr. Bolaji Agbabiaka, Mr. Kolapo Lawson, Sir (Dr.) Ogala Osoka, MFR and Prof. Steve Azaiki, OON. Consequently, two eminent Nigerians of impeccable reputation and achievements, in the persons of Mr. Adedamola Dania and Ms. Omozusi Iredia, were appointed as non-executive directors to fill the vacancies on the Board.

Mr Adedamola Dania, is a seasoned investment banker with several years of experience in global markets, fixed income and derivative products. He is an operations specialist with considerable experience in business systems and process management. He is also an active participant in the Nigeria energy sector. He is currently the Managing Director of Plethora Gas and Power Limited.

Ms. Omozusi Iredia is the Chief Responsibility Officer of

CHAIRMAN'S STATEMENT CONT'D.

Coronation Securities Limited. She has diverse experience acquired in the financial industry over the years. She started her career at Afrinvest West Africa Limited before moving to Standard Chartered Bank as the Head of Custody Division.

Ms. Emi Faloughi was earlier appointed on 8th December 2015. Emi Faloughi is a seasoned professional with several years of experience in the Oil and Gas industry, developing system solutions in support of Contracting and Procurement processes, Nigerian Content growth, and Contractor Health and Safety performance. These appointments are now placed before the meeting for approval.

In addition, our erstwhile Managing Director/CEO, Mr. Wale Onaolapo and the Executive Director/COO, Mr. Samuel Ogbodu retired from the company on December 31, 2015. The positions have been filled by Mr. Olaotan Soyinka and Mrs. Ugochi Odemelam as the Managing Director/CEO and Executive Director respectively.

I would enjoin this gathering to extend our unreserved appreciation to the exited directors for their time and immense contributions to the growth and development of the company during their years of service. We wish them well in their future endeavours.

FUTURE OUTLOOK

No doubt, the potential of the Nigeria insurance sector is huge. However, there is need for collaboration and far-reaching strategies to develop the retail market. The growth of the insurance sector lies within the retail space as concentrating efforts on corporate businesses which have remained the same over the years would not yield the needed result and the industry would not go far in its effort to contribute to

CHAIRMAN'S STATEMENT CONT'D.

the nation's GDP in the years to come. Insurance companies will be required to device means of taking advantage of growth opportunities around it in increasing its penetration level as well as enhance awareness and contribute significantly to the country's GDP.

The positive collaboration between regulators and practitioners to show best practice and agree common framework for future reform will foster the industry's growth.

CONCLUSION

In conclusion, I would like to sincerely thank you all for your support through the years and also urge that you continue to give your support to the Board of Directors and Management Team as we strive to reposition the company to create value for the various stakeholders, especially our esteemed shareholders.

Thank you and God bless you all.

Oluseun O. Ajayi

BOARD OF DIRECTORS

BOARD OF DIRECTORS CONT'D.

H.H. (Dr.) Ephraim F. Faloughi, OON
Chairman (Rtd. April 7, 2016)

Chief Faloughi is the Chairman of the Board of Directors. He is a highly accomplished and respected industrialist who has made tremendous contributions towards the development of commerce and industry in Nigeria.

His business concerns span various leading sectors of the economy such as insurance, banking, newspaper publishing, Oil and gas and manufacturing. He is a Director in several companies.

Mr. Oluseun O. Ajayi
Chairman

Mr. Oluseun O. Ajayi is a Chartered Insurer with over 30 years of experience in the insurance industry. He is a graduate of History and Politics from the University of Ibadan and also an Associate of the Chartered Insurance Institute of London (ACII) and Nigeria (ACIIN). He is a member of the Governing Council of the Nigerian Insurers Association (NIA). He is an astute professional who has devoted his entire working life to the practice of insurance.

He has attended various Management and Leadership Development Programmes at different times in the course of his career including the Management Programme at the London School of Insurance. He is also an alumnus of the Lagos Business School having completed the Chief Executive Programme. Mr. Ajayi has also attended leadership programmes at the IESE Business School of the University of Navarra, Spain, the University of Nottingham Business School and the London Business School.

Under his leadership, the company consistently experienced steady and remarkable accomplishments. One of his greatest accomplishment as the pioneer MD/CEO of the company was the successful transition of the company from a Limited Liability underwriting firm to a Publicly Quoted Company in November 2006.

He was a member of the vision 2020 Business Support Group, BSG, inaugurated by the Federal Government of Nigeria.

BOARD OF DIRECTORS CONT'D.

Mr. Bolaji Agbabiaka
Director (Rtd. April 7, 2016)

Mr. Agbabiaka is an Economist and a qualified insurance practitioner. He is an economics graduate of the University of Ibadan and an Associate of the Chartered Insurance Institute of London. He was once with the Royal Exchange Assurance (Nigeria) Plc and was until recently the Managing Director and Chief Executive of Murphy Shipping and Commercial Services Limited. He is on the Board of several other companies which includes Cashlink Leasing Plc amongst others.

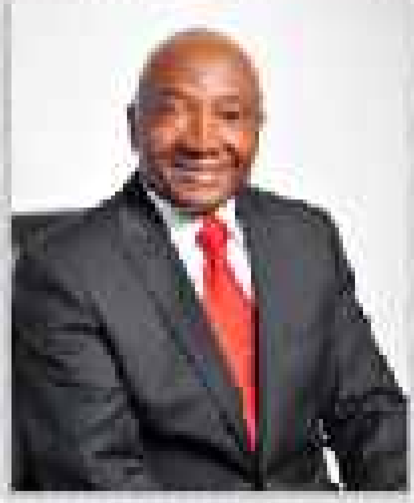
Mrs. Adefemi Abeke Taire, OFR
Director (Rtd. September 11, 2015)

A product of the University of Ibadan, Mrs. Taire's commitment, diligence and dedication saw her to the top of her chosen career in the public service. She was in the employment of the Lagos State Government for several years and became a Permanent Secretary in 1979, serving in five different ministries until 1988 when she was appointed Secretary to the Lagos State Government; a post she held till her retirement in January 1992. Mrs. Taire has attended many Management Courses both at home and abroad.

BOARD OF DIRECTORS CONT'D.

Mr. Kolapo Lawson
Director (Rtd. April 7, 2016)

Mr. Kolapo Lawson is a graduate of London School of Economics and Political Science. He has rich management experience locally and internationally in finance, manufacturing, estate management and property development. He is a Fellow of the Institute of Chartered Accountants of England and Wales as well as the Institute of Chartered Accountants of Nigeria (ICAN). He also sits on the Board of other notable companies in non-executive capacity as a Director.



Sir (Dr.) Ogala Osoka, MFR
Director (Rtd. April 7, 2016)

Sir (Dr.) Ogala Osoka, an insurance practitioner of international repute, was Managing Director/Chief Executive of both NICON and Nigeria Reinsurance Corporations. Sir Osoka was also a past President and Fellow of the Chartered Insurance Institute of Nigeria (CIIN). He is also a Fellow of the Chartered Insurance Institute, (CII) London. He is well known in the financial sector having served as Chairman and board member of a number of blue chip companies.

BOARD OF DIRECTORS CONT'D.

Prof. Steve Azaiki, OON
Director (Rtd. April 7, 2016)

Colonel Musa Shehu (Rtd), OFR
Independent Director

Professor Steve Sinikiem Azaiki holds a PhD in Agriculture, an MBA in Project Management. He has attended courses in Harvard, Oxford and University of Abidjan in Cote d'Ivoire. He speaks Russian, Ukrainian and passable French. He was the pioneer Commissioner for Agriculture and also was two time Secretary to the Government of Bayelsa State.

He voluntarily retired from the Federal Civil Service as Director Inspectorate, National Directorate of Employment. He seats on board of various companies and organizations. He is currently a Visiting Fellow, Institute of Petroleum Studies, university of Port Harcourt. He is an acclaimed Publisher and author of many books. Some of his publications include, Inequities in Nigerian Politics; Oil, Politics and Blood; Oil, Gas and Life in Nigeria; Cassava the white Gold etc. He brings to the board of Sovereign Trust Insurance Plc his wealth of experience in both the private and public sectors of the Nigerian economy.

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

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

BOARD OF DIRECTORS CONT'D.

Mr. Wale Onaolapo
Managing Director/CEO
(Rtd. December 31, 2015)

Mr. Wale Onaolapo, a seasoned professional with entrepreneurial bent. Mr. Onaolapo has worked for about three decades both in the underwriting and Broking sectors of the Insurance Industry. He was at various times with Liberty Assurance Company Limited, Ban-Doy Brokers Company, Femi Johnson & Company (Insurance Brokers) and Unitrust Insurance Company Limited. His experience over the years has exposed him to various facets of insurance management, general underwriting, marketing and information technology.

Mr. Samuel Ogbodu
Executive Director/COO
(Rtd. December 31, 2015)

Mr. Samuel Ogbodu is the company's Chief Operating Officer and oversees the operations of the organization on a day to day basis. He is a graduate of insurance from the University of Lagos and also an Associate of the Chartered Insurance Institute of London. He is also a Fellow of the Chartered Institute of Nigeria. He holds an MBA with specialization in Marketing Management from the Lagos State University. He is an alumnus of the Lagos Business School having successfully completed the Advanced Management Programme of the Institution.

BOARD OF DIRECTORS CONT'D.

Mr. Olaotan Soyinka
Managing Director/CEO

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

Mrs. Ugochi Odemelam
Executive Director, Marketing & Business Development

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

She joined Sovereign Trust Insurance Plc in 1995. Her cognate 20 years working experience cut across the banking and insurance profession. Her experience at Sovereign Trust spans several divisions, Area office operations and other committee works.

MANAGEMENT TEAM

MANAGEMENT TEAM CONT'D.

With his impressive wealth of experience and track record, Wale Onaolapo oversees the day-to-day administration of the company and provides leadership and direction for all business activities. He also ensures accomplishment of strategic objectives and performance goals.

Wale Onaolapo
Managing Director/CEO (Rtd.)

Samuel Ogbodu is the company's Chief Operating Officer and oversees the operations of the organization on a day to day basis. He is a graduate of insurance from the University of Lagos and also an Associate of the Chartered Insurance Institute of London.

Samuel Ogbodu
Executive Director/COO (Rtd.)

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Olaotan Soyinka

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

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Ugochi Odemelam
Executive Director, Marketing & Business Development

MANAGEMENT TEAM CONT'D.

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

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

Kayode Adigun
GM/Divisional Head, Finance & Administration

Tolu Fasoranti holds a B.Sc Honours Degree in Food Science and Technology and an MBA both from Obafemi Awolowo University, Ile-Ife. She has at various times attended various local and international management courses.

She has over 15 years working experience in the insurance industry. Her experience at Sovereign Trust cut across several divisions, Area office operations and committee works.

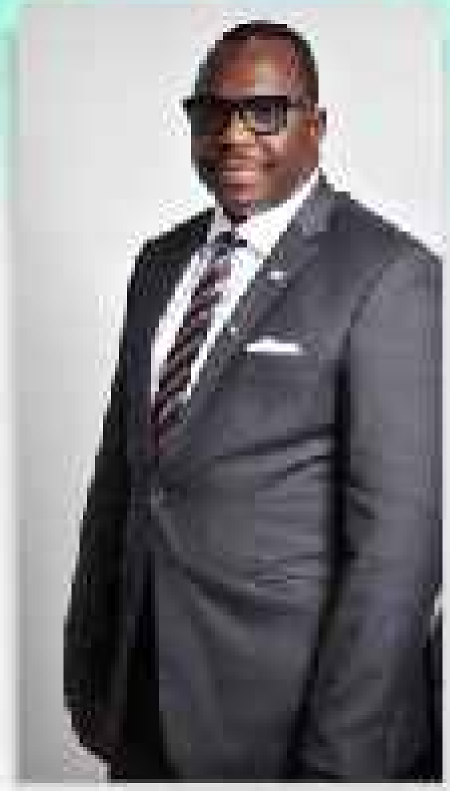
Tolu Fasoranti
DGM/Head, Brokers' Department

MANAGEMENT TEAM CONT'D.

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

He is a Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria. He is also an Associate member of Nigerian Institute of Management. He holds a Masters degree in Business Administration, specializing in Marketing Management. He is a professional member of the Institute of Operational Risk, UK, Certified ISO 31000 Risk Management Professional and also a certified business professional in Leadership. He is an alumnus of the Lagos Business School having successfully completed the Advanced Management Programme of the Institution.

He joined Sovereign Trust in March 1995. He has over 23 years of working experience in Finance and Administration.



Sanni Oladimeji
DGM/Head, Risk Management & Compliance

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

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

Segun Bankole
AGM/Head, Corporate Communications & Brand Management

MANAGEMENT TEAM CONT'D.

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

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

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

Olalekan Oguntunde
AGM/Head, ICT

Lanre Ojuola's career span over 20 years, having worked in a number of financial institutions including Sovereign Trust Insurance Plc, Universal Trust Bank Limited and Equitorial Trust Bank Company Limited. He has garnered valuable experience in Insurance Underwriting, Banking Operations, Inspection and helped pioneer the set-up of the Internal Control Department of one of the leading financial institutions in the country.

He is a chartered Insurer and holds a B.Sc degree in Insurance from the University of Lagos having passed out as the best graduating student in 1994. He also holds an MBA in Business Administration with special bias for marketing and product development. He has attended several management courses in Nigeria and overseas. He is saddled with the responsibility of providing strategic direction for the company as well as effective corporate planning.

Olanrewaju Ojuola
AGM/ Head, Strategy & Corporate Planning

MANAGEMENT TEAM CONT'D.

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

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

Emmanuel Anikibe
AGM/Head, Marketing & Business Development Division.

Mohammed Alfa is an erudite insurance professional with over 30 years of experience in the insurance industry. Mohammed Alfa is a graduate of Ahmadu Bello University, Zaria bagging Bachelor of Science, (B.Sc) degree and an MBA in Business Administration from the Institution. He is an Associate member of the Chartered Insurance Institute of Nigeria. He is saddled with the responsibility of ensuring the development and growth of the company's Public Sector business portfolio at the Federal level and the supervision of the Area and Branch Offices in the Northern Region.

Mohammed Alfa
AGM/Head, Northern Area Operations

MANAGEMENT TEAM CONT'D.

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

Samuel Oseni
AGM/Head, Internal Audit

Angela Uche-Onochie is charged with the responsibility of coordinating and supervising the operations of the company's branch network in the eastern region.
She graduated from the University of Calabar with a Bachelor of Science degree in Zoology and has virtually traversed all the major divisions in the organization, namely; Technical, Human Resources, Administration and Marketing.

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

Angela Uche-Onochie
AGM/Head, Eastern Area Operations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DIRECTORS' REPORT

The Directors present their annual report on the affairs of **SOVEREIGN TRUST INSURANCE PLC** together with the financial statements and auditors' report for the year ended December 31, 2015.

Legal Form and Principal Activity

The company was incorporated as a limited liability company on February 26, 1980 and commenced business on 2nd January 1995 as a non-life insurer with an authorized share capital of N30 million and a fully paid up capital of N20 million following the acquisition and recapitalization of the then Grand Union Assurances Limited.

The Company which was licensed by the Federal Government of Nigeria to carry out business in all classes of Non-Life insurance and as special risk insurers currently has authorized share capital of N5.25 billion divided into 10.5 billion units of 50k per share with a fully paid up capital of over N4.1 billion.

The Company, currently having its Corporate Head Office at Victoria Island, Lagos with 17 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (PLC) on the 7th of April, 2004, and was listed on the Nigerian Stock Exchange on 29th November, 2006.

Operating Results

The following is a summary of the Company's operating results and transfers to reserves.

Comprehensive Income	**Dec. 2015**
	₦'000
Gross premiums written	**7,132,224**
Net underwriting Income	**4,345,697**
Investment, Fee and Other Income	**748,259**
Total Revenue	**5,093,956**
Claims expense	**(1,506,511)**
Other Expenses	**(2,730,040)**
Total Benefits, Claims and Other Expenses	**(4,236,550)**
Profit Before Tax	**454,846**
Income tax expense	**127,363**
Profit For the Year	**582,209**
Other Comprehensive Income for the year, net of tax	**19,667**
Total Comprehensive Income for the year, net of tax	**601,876**
Basic Earnings Per Share	**5.82**
Diluted Earnings Per Share	5.82

DIRECTORS' REPORT CONT'D.

Board of Directors

The members of the Board of Directors of the company as at December 31, 2015 are as follows:

1. Chief Ephraim F. Faloughi	-	Chairman
2. Mr. Oluseun O. Ajayi	-	Vice Chairman
3. Mr. Bolaji Agbabiaka	-	Director
4. Mrs. A. A. Taire	-	Director (Retired September 11, 2015)
5. Mr. Kolapo Lawson	-	Director
6. Sir. Ogala Osoka	-	Director
7. Prof. Steve Azaiki	-	Director
8. Col. Musa Shehu (Rtd)	-	Independent Director
9. Mr. Samuel Ogbodu	-	Executive Director/COO
10. Mr. Wale Onaolapo	-	Managing Director/CEO
11. Mr. Olaotan Soyinka	-	Executive Director
12. Mrs. Ugochi Odemelam	-	Executive Director
13. Ms. Emi Faloughi	-	Director (Appointed December 8, 2015)

Directors Shareholding

The direct and indirect interest of directors in the issued share capital of the company as recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of section 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange are as follows:

Directors	**Direct**	**Indirect**	**Total Dec. 2015**	Total Dec. 2014
Chief (Dr.) Ephraim F. Faloughi	697,013,237	1,221,572,742	**1,918,585,979**	1,578,656,579
Mr. Oluseun O. Ajayi	244,104,573	654,483,523	**898,588,096**	318,917,150
Mr. Bolaji Agbabiaka	30,936,120	-	**30,936,120**	23,202,090
Mrs. A. A. Taire	12,327,485	592,282,401	**604,609,886**	453,457,415
Mr. Kolapo Lawson	-	68,181,747	**68,181,747**	68,181,747
Sir. (Dr.) Ogala Osoka	39,008,885		**39,008,885**	29,256,644
Prof. Stephen Azaiki	-	900,000,000	**900,000,000**	900,000,000
Mr. Samuel Ogbodu	41,933,333	-	**41,933,333**	31,450,000
Mr. Wale Onaolapo	104,434,560	-	**104,434,560**	104,434,560

Directors' Interest in Contracts

None of the directors has notified the Company for the purpose of Section 277 of the Company and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the company was involved during the year ended December 31, 2015.

DIRECTORS' REPORT CONT'D.

Substantial Interest in Shares

According to the register of members at December 31, 2015, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

Shareholders	As at December 2015 No of Holding	As at December 2015 % of Holding
TEEOF Holdings Limited	1,221,572,742	14.65
Bayelsa State Government	900,000,000	10.79
Faloughi Ephraim F.	697,013,237	8.36
Sovereign Investments Limited	654,483,523	7.85
TWSN Limited.	592,282,401	7.10
Insurance Management Consultants	500,962,048	6.01
Others	3,774,509,345	45.00
TOTAL	**8,340,823,296**	**100**

Shareholding Analysis

The shareholding pattern of the Company as at December 31, 2015 is as stated below:

Share Range	No of Shareholders	% of Shareholders	No of Holdings	% of Holdings
1-1,000	102	1.14	6,736	0.00
1,001-5,000	2,176	24.41	5,119,116	0.14
5,001-10,000	1,060	11.89	7,879,968	0.21
10,001-50,000	2,884	32.35	72,907,914	1.93
50,001-100,000	983	11.03	70,093,941	1.86
100,001-500,000	1,203	13.49	249,071,081	6.60
500,001-1,000,000	194	2.18	141,017,627	3.74
1,000,001-50,000,000	302	3.39	1,760,071,514	46.63
50,000,001-100,000,000	5	0.06	311,600,104	8.26
100,000,001-Above	6	0.07	1,156,741,344	30.65
	8,915	**100**	**3,774,509,345**	**100**

Complaints Management Policy

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

DIRECTORS' REPORT CONT'D.

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

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

Post Balance Sheet Events
There has been no material change in the Company's financial position since 31st December, 2015 that would have affected the true and fair view of the Company's state of affairs as at date.

However, the Company contravened the provision of Clause 14(C), Appendix III of The Rule Book of The Nigerian Stock Exchange regarding late submission of 2015 Annual Report and Account with a default penalty of N500,000 (Five hundred thousand Naira Only).

Property, Plant and Equipment

Investment in fixed assets during the period is limited to the amounts shown in the financial statements. In the opinion of the directors, the market value of fixed assets is not less than the value indicated in the financial statements.

Insurance Technical Agreements

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

- Africa Reinsurance Corporation
- Aveni Reinsurance Company Limited
- Continental Reinsurance Company Limited
- WAICA Reinsurance Pool

Corporate Governance

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

Securities Trading Policy

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

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

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

Board Committees

The Board, in compliance with the guidelines of the National Insurance Commission carried out its oversight function through its

DIRECTORS' REPORT CONT'D.

standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines to the Board.

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

- **Establishment, Governance and Business Development Committee**

1.	Sir. (Dr.) Ogala Osoka	Chairman
2.	Mrs. Adefemi A. Taire	Member
3.	Mr. Wale Onaolapo	Member
4.	Col. Musa Shehu (Rtd)	Member
5.	Mr. Samuel Ogbodu	Member
6.	Mr. Kolapo Lawson	Member

- **Finance and General Purposes Committee**

1.	Mr. Kolapo Lawson	Chairman
2.	Sir (Dr.) Ogala Osoka	Member
3.	Mr. Bolaji Agbabiaka	Member
4.	Mr. Oluseun O. Ajayi	Member
5.	Mr. Wale Onaolapo	Member
6.	Mr. Samuel Ogbodu	Member

- **Investment Committee**

1.	Mr. Oluseun O. Ajayi	Chairman
2.	Mr. Bolaji Agbabiaka	Member
3.	Mr. Wale Onaolapo	Member
4.	Mr. Samuel Ogbodu	Member
5.	Prof. Steve Azaiki	Member

- **Enterprise Risk Management Committee**

1.	Mr. Bolaji Agbabiaka	Chairman
2.	Prof. Steve Azaiki	Member
3.	Mr. Oluseun Ajayi	Member
4.	Mr. Wale Onaolapo	Member
5.	Mr. Samuel Ogbodu	Member
6.	Col. Musa Shehu	Member

All the committees endeavoured to perform their duties competently during the period under review.

Employees and Employment

Employees' Health, Safety and Environment

The Company strictly observes all health and safety regulations. The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. Financial provision is also made for all employees in respect of transportation, housing, medical expenses and meals.

Employment of Disabled Persons

It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. All employees whether physically challenged

DIRECTORS' REPORT CONT'D.

or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their careers.

Employees' Involvement and Training

The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress. Views of employees are sought, where practicable, on matters which particularly affect them as employees. The Company runs an open door management policy. Management, professional and technical expertise are the Company's major assets and investment in developing such skills is continuous. The Company's expanding skills base is being brought about by a wide range of in-house and external training. Opportunities for career development within the company have also been broadened.

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

DIRECTORS' REPORT CONT'D.

RECORD OF ATTENDANCE AT BOARD MEETINGS FOR THE YEAR 2015

DIRECTORS	MAR 17, 2015	JUL 3, 2015	SEPT 10, 2015	DEC 8, 2015
CHIEF E. F. FALOUGHI(OON)	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES	YES
MR BOLAJI AGBABIAKA	YES	YES	YES	YES
PROF. STEVE AZAIKI (OON)	NO	YES	YES	YES
MR KOLAPO LAWSON	YES	NO	NO	YES
MRS A.A TAIRE (OFR)	YES	NO	YES	NO
SIR OGALA OSOKA (MFR)	YES	YES	YES	YES
COL. MUSA SHEHU (RTD)(OFR)	YES	YES	YES	YES
MS. EMI FALOUGHI	NO	NO	NO	YES
MR OLAWALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES	NO
MR. OLAOTAN SOYINKA	NO	NO	NO	YES
MRS. UGOCHI ODEMELAM	NO	NO	NO	YES

RECORD OF ATTENDANCE AT THE FINANCE & GENERAL PURPOSES COMMITTEE MEETINGS FOR 2015

MEMBERS	MAR 23, 2015	MAY 12, 2015	AUG 11, 2015	NOV 4, 2015	DEC 3, 2015
MR KOLAPO LAWSON	YES	YES	YES	NO	YES
MR BOLAJI AGBABIAKA	YES	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES	YES	YES
SIR OGALA OSOKA (MFR)	YES	YES	NO	YES	YES
MR WALE ONAOLAPO	YES	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES	NO	NO
MR. OLAOTAN SOYINKA	NO	NO	NO	YES	YES
MRS. UGOCHI ODEMELAM	NO	NO	NO	YES	YES

RECORD OF ATTENDANCE AT THE INVESTMENT COMMITTEE MEETINGS FOR 2015

MEMBERS	JUN 11, 2015	AUG 11, 2015	NOV 12, 2015	DEC 7, 2015
MR OLUSEUN AJAYI	YES	YES	YES	YES
MR. BOLAJI AGBABIAKA	YES	YES	YES	YES
PROF. STEVE AZAIKI (OON)	NO	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	NO	NO
MR. OLAOTAN SOYINKA	NO	NO	YES	YES
MRS. UGOCHI ODEMELAM	NO	NO	YES	YES

RECORD OF ATTENDANCE AT THE ESTABLISHMENT & BUSINESS DEVELOPMENT COMMITTEE MEETINGS FOR 2015

MEMBERS	MAR 18, 2015	JUN 10, 2015	JUL 31, 2015	NOV 24, 2015
SIR OGALA OSOKA (MFR)	YES	YES	YES	YES
MRS A.A. TAIRE (OFR)	YES	YES	YES	NO
COL. MUSA SHEHU (RTD) (OFR)	YES	YES	YES	YES
MS. EMI FALOUGHI	NO	NO	NO	NO
MR KOLAPO LAWSON	YES	NO	YES	YES
MR WALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES	NO
MR. OLAOTAN SOYINKA	NO	NO	NO	YES
MRS. UGOCHI ODEMELAM	NO	NO	NO	YES

RECORD OF ATTENDANCE AT THE ENTERPRISE & RISK MANAGEMENT COMMITTEE MEETINGS FOR 2015

MEMBERS	JUL 2, 2015	NOV 12, 2015	DEC 7, 2015
MR. BOLAJI AGBABIAKA	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES
PROF. STEVE AZAIKI (OON)	YES	YES	YES
COL. MUSA SHEHU (RTD) (OFR)	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES
MR. SAMUEL OGBODU	YES	NO	NO
MR. OLAOTAN SOYINKA	NO	YES	YES
MRS. UGOCHI ODEMELAM	NO	YES	YES

RECORD OF ATTENDANCE AT THE STATUTORY AUDIT & COMPLIANCE COMMITTEE MEETINGS FOR 2015

MEMBERS	JAN 15, 2015	APR 27, 2015	JUN 25, 2015
MR. BIMBO OGUNTUNDE	YES	YES	YES
OTUNBA OLUFEMI DINAH	YES	YES	YES
SIR OGALA OSOKA (MFR)	YES	YES	YES
MRS A. A. TAIRE (OFR)	NO	YES	YES

DIRECTORS' REPORT CONT'D.

Donations

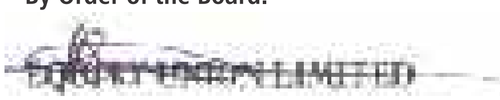
Donations during the year ended December 31, 2015 amounted to (2014: N1,470,000) as follows:

	2015
	₦
The Oxford and Cambridge Club of Nigeria	500,000
The Down Syndrome Foundation	500,000
Insurance Industry Consultative Forum	1,000,000
The Julie Donli Kidney Foundation	250,000
Actuarial Science and Insurance Association	200,000
	2,450,000

Auditors

Messrs. SIAO (Chartered Accountants) will continue as auditors till the end of the year 31st December 2015.

By Order of the Board.



Yetunde Martins
Equity Union Limited
Company Secretaries
Lagos, Nigeria

FRC/2013/NBA/00000003399

Date: April 19, 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the provisions of Section 334 and 335 of the Companies and Allied Matters Act 2004 and Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the financial position at the end of the financial year of the Company and of the operating result for the year then ended.

The responsibilities include ensuring that:

- Appropriate and adequate internal controls are established to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- The Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Financial Reporting Council Act 2011, Companies and Allied Matters Act, 2004, Insurance Act 2003.
- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- The financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.

The Directors accept responsibility for the year's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with;

- Financial Reporting Council Act 2011
- Insurance Act 2003
- Companies and Allied Matters Act 2004

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating result for the year ended.

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

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

Signed on behalf of the Directors on April 20, 2016 by:

....
Mr. Olaotan Soyinka
MD/CEO
FRC/2013/CIIN/00000002671

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

Certification Pursuant to Section 60(2) of Investment and Securities Act No. 29 of 2007

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended December 31, 2015 that:

- We have reviewed the report;
- To the best of our knowledge, the report does not contain:

➢ Any untrue statement of a material fact, or

➢ Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;

- To the best of our knowledge, the financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in the report.
- We:

➢ Are responsible for establishing and maintaining internal controls.

➢ Have designed such internal controls to ensure that material information relating to the company and its consolidated subsidiary is made known to such officers by others within those entries particularly during the period in which the periodic reports are being prepared;

➢ Have evaluated the effectiveness of the company's internal controls as of date within 90 days prior to the report;

➢ Have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

- We have disclosed to the auditors of the company and audit committee:

➢ All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and

➢ Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

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

Mr. Olaotan Soyinka
MD/CEO
FRC/2013/CIIN/00000002671

Mr. Kayode Adigun
CFO
FRC/2013/ICAN/00000002652

INDEPENDENT AUDITOR'S REPORT

SIAO

Lagos: 18b Olu Holloway Road, Ikoyi, Lagos
Tel: 01 463 0871-2 Fax: 01-463 0870

Abuja: 1st Floor, Bank of Industry Building
Central District Area, FCT, Abuja.
Tel: 09-291 2462-3
E-mail: enquiries@siao-ng.com
Website: www.siao-ng.com

To the members of Sovereign Trust Insurance Plc.

We have audited the accompanying financial statements of **Sovereign Trust Insurance Plc** which comprise the Statement of Financial Position as at December 31, 2015, Statement of changes in Equity, the Statement of Comprehensive Income and Other Comprehensive Income, Statements of Cash flow and the statement of significant accounting policies on pages 52 and 80 and the accompanying notes on pages 82 and 134 form an integral part of these financial statements.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRSs) and in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, Financial Reporting Council Act 2011, the Insurance Act 2003 of Nigeria, the Investments and Securities Act, 2007 and National Insurance Commission (NAICOM) circulars. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates thatare reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nigerian Standard on Auditing (NSA) and International Standard on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments: the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on he effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

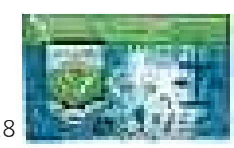
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sovereign Trust Insurance Plc as at December 31, 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) applicable and in the manner required by the Financial Reporting Council Act 2011. Companies and Allied Matters Act, CAP C20 LFN 2004, the Insurance Act 2003 of Nigeria, the Investments and Securities Act 2007 and the relevant NAICOM circulars.

Report on Other Legal Requirements

Compliance with the requirements of the Companies and Allied Matters Act, 2004.

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and Company's financial position and comprehensive income are in agreement with the books of accounts.



Joshua Ansa, FCA
FRC/2013/ICAN/00000001728

For: SIAO(Chartered Accountants)
Lagos, Nigeria

Date 21/04/2016

REPORT OF THE AUDIT COMMITTEE

To the members of Sovereign Trust Insurance Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap 59 of the Laws of the Federation of Nigeria 2004, we the Members of the Audit Committee of Sovereign Trust Insurance Plc, have carried out our statutory functions under the Act, hereby report as follows:

- We have reviewed the scope and planning of the audit for the year ended December 31, 2015 and we confirm that they were adequate.

- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices.

- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended December 31, 2015.

Finally, we acknowledge and appreciate the co-operation of Management and Staff in the conduct of these duties.

Mr. Bimbo Oguntunde
Chairman of the Audit Committee
FRC/2013/NIM/00000003361

Date: April 19, 2016

Members of the Audit Committee

Mr. Bimbo Oguntunde (Shareholders' Representative)	Chairman
Otunba Femi Dina (Shareholders' Representative)	Member
Sir (Dr.) Ogala Osoka (Directors' Representative)	Member
Ms. Emi Faloughi (Directors' Representative)	Member

The Company Secretary/Legal Adviser acted as the Secretary to the Committee.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. General information

The company was incorporated as a limited liability company on February 26, 1980, but was reorganized and commenced business as a reorganized non-life insurance company on 2nd January 1995 with an authorized share capital of N30 million and a fully paid up capital of the N20 million following the acquisition and recapitalization of the then Grand Union Assurances Limited.

The principal activity of the Company continues to be the provision of all classes of non-life insurance and special risk insurance, settlement of claims and Insurance of Policy Holders' Fund. The Company, currently having its corporate head office at 17 Ademola Adetokunbo Street, Victoria Island, Lagos with 17 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (Plc) on the 7th of April 2004 and was listed on the Nigerian Stock Exchange on 29th November 2006.

These financial statements were authorized by the Board on April 20, 2016.

2. Going Concern

These financial statements have been prepared on the going concern basis. The Company has no intention or need to reduce substantially its business operations and management believes that the going concern assumption is appropriate for the Company due to sufficient capital adequacy ratio and projected liquidity, based on historical experience that short-term obligations will be refinanced in the normal course of the business. Liquidity ratio and continuous evaluation of current ratio of the Company is carried out by the Company to ensure that there are no going concerns threats to the operation of the Company.

3 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, unless otherwise stated.

3.1 Basis of Preparation and Compliance with IFRS

These financial statements are the stand alone financial statements of Sovereign Trust Insurance. The Company's financial statements for the year 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

Functional and Presentation of Currency

The financial statements are presented in Nigerian currency (Naira) which is the Company's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

Basis of Measurement

The financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss which are measured at fair value through profit or loss.
- Financial assets classified as available for sale which are measured at fair value through other comprehensive income.
- Loans and receivables and held to maturity financial assets and financial liabilities which are measured at amortised cost.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

- Investment properties which are measured at fair value.

3.2 Critical Accounting Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

3.3 Judgement, Estimates and Assumption

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

3.3.1 Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

3.3.2 Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The assumptions used in determining the net cost (income) for gratuity include the discount rate, rate of return on assets, future salary increments and mortality rates. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability. Other key assumptions for gratuity obligations are based in part on current market conditions.

3.3.3 Fair valuation of investment properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers. Assumptions are made about expected future cashflows and the discounting rates.

3.4 Improvements to IFRSs

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period.

Standards and interpretations effective during the reporting period

It is important to note that no standard or amendment to existing standard took effect during the reporting period. Hence, there was no impact on the accounting policies, financial position or performance of the Company.

Standards and interpretations issued/amended but not yet effective

Other standards issued/amended by the IASB but yet to be effective are outlined below:

Standard	Content	Effective year
Amendments to IFRS 11	Joint arrangements	1-Jan-16
Amendments to IAS 1	Presentation of financial statements	1-Jan-16
Amendments to IAS 27	Separate financial statements	1-Jan-16
Amendments to IFRS 7	Financial Instruments: Disclosures	1-Jan-16
Amendments to IAS 19	Employee Benefits	1-Jan-16
Amendments to IAS 34	Interim Financial Reporting	1-Jan-16
Amendments to IAS 16	Property, Plant and Equipment	1-Jan-16
Amendments to IAS 38	intangible Assets	1-Jan-16
IFRS 15	Revenue from Contracts with Customers	1-Jan-17
Amendments to IFRS 14	Regulatory deferral accounts	1-Jan-16
Amendments to IFRS 5	Non Current Asset Held for Sale and Discontinued Operations	1-Jan-16
IFRS 10	Consolidated Financial Statements	1-Jan-16
IFRS 9	Financial instruments	1-Jan-18

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

Commentaries on these new standards/ amendments are provided below.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
Amends IFRS 11 Joint Arrangement to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Amendments to IAS 1 - Presentation of financial statements
Amend IAS 1 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 27 - Separate financial statements
Amend IAS 27 to restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Amendments to IFRS 7 - Financial Instruments: Disclosures
Amend IFRS 7 to remove the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that offsetting disclosures is not required in the condensed interim financial report. However, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, an entity is required to include the disclosures in the condensed interim financial report.

On servicing contract, it clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions
Amend IAS 19 to clarify that high quality corporate bonds used in estimating the discount rate for post employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

Amendments to IAS 34 – Interim Financial Reporting
Amends IAS 34 to clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross reference between the financial statements and wherever they are included within the greater interim financial report (e.g. management commentary or risk report).

IAS 16 – Property, Plant and Equipment
Amends IAS 16 to clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption

of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

IAS 38 – Intangible Assets
Amends IAS 38 to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as stated in amendment to IAS 16 above.
The amendment stated that there are limited circumstances where the rebuttable presumption can be overcome. This is when the intangible asset is expressed as a measure of income and when it can be demonstrated that revenue and consumption of economic benefits of the intangible asset are highly correlated although there are no clear details as to the admissible evidence that is required to overcome the presumption.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are Identification of the contract with the customer, Identification of the performance obligations in the contract, Determination of the transaction price, Allocation of the transaction price to the performance obligations in the contracts, and Recognition of revenue when (or as) the entity satisfies a performance obligation.

IFRS 14- Regulatory deferral accounts
IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard would not have an impact on the Company as it is not a first time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

Amendments to IFRS 5 - Non Current Asset Held for Sale and Discontinued Operations
Amends IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

Amendments to IFRS 10 - Consolidated Financial Statements
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments do not have any impact on the Company as no member of the Company is an investment entity.

IFRS 9 - Financial instruments

IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in **OCI** rather than in the income statement.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The bank is yet to quantify the impact of this change although it is expected to lead to an increased impairment charge than recognized under IAS 39.

Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The bank is yet to quantity the impact of these changes on its financial statements.

Other standards and interpretations issued that are effective for annual periods beginning after January 1, 2016, as shown on page 26 have not been applied in preparing these financial statements and the Company is yet to assess the full impact of the amendments arising from these standards.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

4 Cash and Cash Equivalents

Cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash, are subject to insignificant risk of changes in value and whose original maturity is three months or less.

This includes cash on hand, deposit held at call with banks and other short term highly liquid investments which originally matures in three months or less.

5 Financial Assets

In accordance with IAS 39, all financial assets – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

5.1 Financial Assets

The Company classifies financial assets into the following IAS 39 categories: (a) financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition and the classification depends on the purpose for which the investments were acquired.

(a) Financial Assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Company as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the Statement of Comprehensive Income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income. Interest income and expense and dividend income and expenses on financial assets held for trading are included in the Statement of Comprehensive Income.

The Company's investments in quoted equities are carried at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(1) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designated as at fair value through profit or loss;

(2) those that the Company upon initial recognition designates as available for sale; or

(3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost less impairment (if any) using the effective interest rate method. Interest is included in the statement of comprehensive income and reported under investment income.

C Held to Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

(1) those that the Company upon initial recognition designated as at fair value through profit or loss;

(2) those that the Company designates as available-for-sale; and

(3) those that meet the definition of loans and receivables.

These are initially recognised as at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income and reported under investment income.

(d) Available-for-Sale Financial Assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized.

If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income is recognised in the statement of comprehensive income. However, interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income under investment when the Company's right to receive payment is established.

The investment in unquoted equities, Federal Government Bond, managed funds and treasury bills are classified as available for sale.

5.2 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, Nigerian Stock Exchange NSE) and broker quotes from the Financial Markets Dealers Association.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty market development.

5.3 Trade Receivables

Trade receivables arising from insurance contracts are stated after deducting allowance made for specific debts considered doubtful of recovery. Trade receivables are reviewed at every reporting period for impairment.

They are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Company will not be able to collect the entire amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognised in the profit and loss.

5.4 Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6 Reinsurance Assets

Reinsurance premiums are recognised as outflows in accordance with the tenor of the reinsurance contract while cost represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

7 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.
DAC for general insurance are apportioned over the period in which the related revenues are earned.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.
DAC are derecognized when the related contracts are either settled or disposed off.

Deferred Expenses-Reinsurance Commissions
Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

8 Other Receivables and Prepayments
Other receivables and prepayments are carried at amortised cost less any accumulated impairment losses.

9 Investment in Associate
In the financial statements, the Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.
The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

10 Investment Properties
Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company, are classified as investment properties.
Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.
Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise.
Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.
The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by independent valuation experts.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment.

However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the Statement of Comprehensive Income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the Statement of Comprehensive Income.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in the statement of comprehensive income in the year of retirement or disposal.

11 Property, Plant and Equipment

Property and equipment comprise mainly land and buildings, motor vehicles, computer and office equipment, furniture and fittings and plant and machinery and are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property and equipment is recognized when it is probable that economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

-Buildings	2.0 %
-Leasehold improvements	10.0 %
-Motor vehicles	25.0 %
-Furniture and fittings	15.0 %
-Computer equipment	33.3 %
-Office equipment	20.0 %
-Plant and machinery	15.0 %

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The depreciation method is also reviewed at each reporting date.

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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment was impaired at 31 December 2015 (31 December 2014).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the statement of comprehensive income.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

Derecognition

Company dercognises property, plant and equipment when the followings occur:

- On disposal; or
- When no future economic benefits are expected from its use or disposal.

12. Statutory Deposit

Statutory Deposit represents amount deposited with the Central Bank of Nigeria (CBN) in accordance with Section 10 (3) of Insurance Act, 2003. Statutory deposit is measured at cost. Interest income on statutory deposit is recognized in the statement comprehensive income.

13. Intangible Asset

Recognition of software acquired is only allowed if it is probable that future benefits to this intangible asset are attributable and will flow to company. Software acquired is initially measured at cost. The cost of acquired software comprises its Purchase Price, including import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortization and any accumulated impairment losses.

Internally developed software is capitalized when the Company has the intention and demonstrates the ability to complete the development and use of the software in a manner that will generate future economic benefits, and can reliably measure the cost to complete the development. The capitalized costs include all cost directly attributable to the development of the software. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalized only when it increase the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of the software is 3 years subject to annual reassessment.

14 Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

-When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

-In respect of taxable temporary differences associated with investments in subsidiaries,

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

15 Insurance Contracts

Sovereign Trust issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Sovereign Trust defines significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are significantly more than the benefits payable if the insured event did not occur.

These contracts are accident and casualty and property insurance contracts.

Accident and casualty insurance contracts protect the Company's customer against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employee (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public holiday).

Property insurance contract mainly compensate the Company's customer for damage suffered to their properties or for the value of properties lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

In accordance to IFRS 4, the Company has continued to apply the accounting policies it applied in accordance with the prechange over from Nigerian GAAP.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

Salvages
Some insurance contracts permit the Company to sell (usually damaged) property acquired in the process of settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs of damages to its client's property (i.e. subrogation right). Salvage recoveries are used to reduce the claim expenses when the claim is settled.

Subrogation
Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other assets when the liability is settled and the company has the right to receive future cash flow from the third party.

16 **Insurance Contract Liabilities**
These are computed in compliance with the provision of section 20, 21, and 22 of the Insurance Act 2003 as follows:

A **General Insurance Contracts**
Reserves for Unearned Premium
In compliance with Section 20(1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year

Reserve for Outstanding Claims
A full provision is made for the estimated cost of all claims notified but not settled at the date of the financial position, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the financial position date.

Similarly, provision is made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the statement of financial position date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at the statement of financial position date and the subsequent settlements are included in the Revenue Account of the following year.

Reserves for unearned premium
A provision for additional unexpired risk reserve (AURR) is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve (UPR).

B **Liability Adequacy Test**
At each end of the reporting period, liability adequacy test are performed by an Actuary to ensure the adequacy of the insurance contract liability. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from Liability Adequacy test "the unexpired risk provision."

17 **Financial Liabilities**
Financial liabilities are carried at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

(a) Financial Liabilities at fair value through profit or loss
This category comprises two sub-categories: financial liabilities classified as held for trading and financial liabilities

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D.

designated by the Company as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near future term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading, unless designated as an effective hedging instrument.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the statement of comprehensive income in fair value gains and losses.

The Company did not have any financial liabilities that meet the classification criteria of held for trading and did not designate any financial liabilities as at fair value through profit or loss.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost.
At reporting date the debt security in issue which is the convertible bond and other liabilities were carried at amortised cost.

18 Trade Payables

Trade payables are recognised when due and are measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Derecognition of Trade Payables

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

19 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. If the due date of the liability is less than one year discounting is omitted.

20 Employee Benefits

The Company operates two retirement benefit schemes in the form of a pension scheme and gratuity benefits scheme. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(a) Pension Costs

The Company operates a defined contribution scheme for its staff and is managed by a highly reputable pension fund administrator. Under the scheme, the company contributes minimum of 10% while each employee contributes minimum of 8% of basic salary, housing and transport allowances on a monthly basis. The Company has no further payment

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obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Gratuity Benefits

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 conditions of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Company. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of Federal Government Bonds of Nigeria as High Quality Corporate bonds are not available. Actuarial gains and losses are recognised in full in other comprehensive income when they occur. Past-service costs are recognised immediately in income.

21 Income Tax

(a) Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Company has tax losses that can be relieved against a tax liability for a previous year, it recognizes those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Company does not offset income tax liabilities and current income tax assets.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

22 Share Capital

(a) Share Issue Costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

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Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note.

Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

23 Contingency Reserves

Non-life business

In compliance with Section 21 (2) of Insurance Act 2003, the contingency reserve is credited with the greater of 3% of total premium, 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.

24 Available-for-Sale Reserve

The available-for-sale reserve comprises the cumulative net change in the fair value of the Company's available-for-sale investments. Net fair value movements are recycled to income statements if an underline available-for-sale investment is either derecognized or impaired.

25 Gross Premium

The Company recognizes gross premium at the point of attachment of risk to a policy before deducting cost of reinsurance cover. All written premium relating to risk for period not falling due within the accounting period is carried forward as an unearned premium

26 Reinsurance Expenses

The Company cedes insurance risk in the normal course of business for the purpose of limiting its net loss potential on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, claims reimbursed and commission recovered are presented in the statement of comprehensive income and statement of financial position separately from the gross amounts.

27 Underwriting Expenses

Underwriting expenses are subdivided into acquisition and maintenance expenses. Acquisition expenses are expenses incurred in obtaining and renewing insurance contracts. They include commission paid, policy expenses and indirect expenses such as salaries of underwriting staff; and are deferred and amortised in proportion to the amount of premium determined separately for each class of business. Maintenance expenses are those incurred in servicing existing policies/contract. Maintenance expenses are charged to the revenue account in the accounting period which they are incurred.

28 Interest income and Expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial

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instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

29 Dividend Income

Dividends are recognised in the income statement in 'Investment income' when the entity's right to receive payment is established.

30 Fees and commission Income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

31 Other Income

Other incomes are income other than interest income, dividend income and stock trading income. They include rental income, profit on sales of fixed assets and fairvalue gain on investment property.

32 Management Expenses

Management expenses are expenses other than claims, investment expenses, employee benefit, expenses for marketing and administration and underwriting expenses. They include wages, Professional fees, depreciation expenses and other non-operating expenses. Management expenses are accounted for on an accrual basis and recognised in the statement of comprehensive income upon utilisation of the service or receipt of goods.

33 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for

impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in Statement of comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the Statement of comprehensive Income.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Assets classified as available for sale
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the

Statement of Comprehensive Income – is removed from other comprehensive income and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the statement of comprehensive income.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Comprehensive Income – is removed from other comprehensive income and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in their fair value after impairment are recognised directly in other comprehensive income.

34 Impairment of non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has

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decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

35 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.
A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised but they are disclosed in the financial statement when they arise.

36 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

37 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined the Company's executive management as its chief operating decision maker.

38 Lease

Where the company is the lessee

Leases, in respect of which the company assumes substantially all the risks and rewards of ownership are classified as

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finance leases. At the beginning of the lease term, the leased asset is measured at an amount equal to the fair value of the leased asset less the present value of unguaranteed or partially guaranteed residual value which would accrue to the lessor at the end of the term of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other leases are classified as operating leases and are not recognised in the company's balance sheet. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

When the company is the lessor
The Company does not lease out its fixed assets and as such are not lessors.

39 Earnings Per Share
Basic earnings per share is calculated by dividing the net profit of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

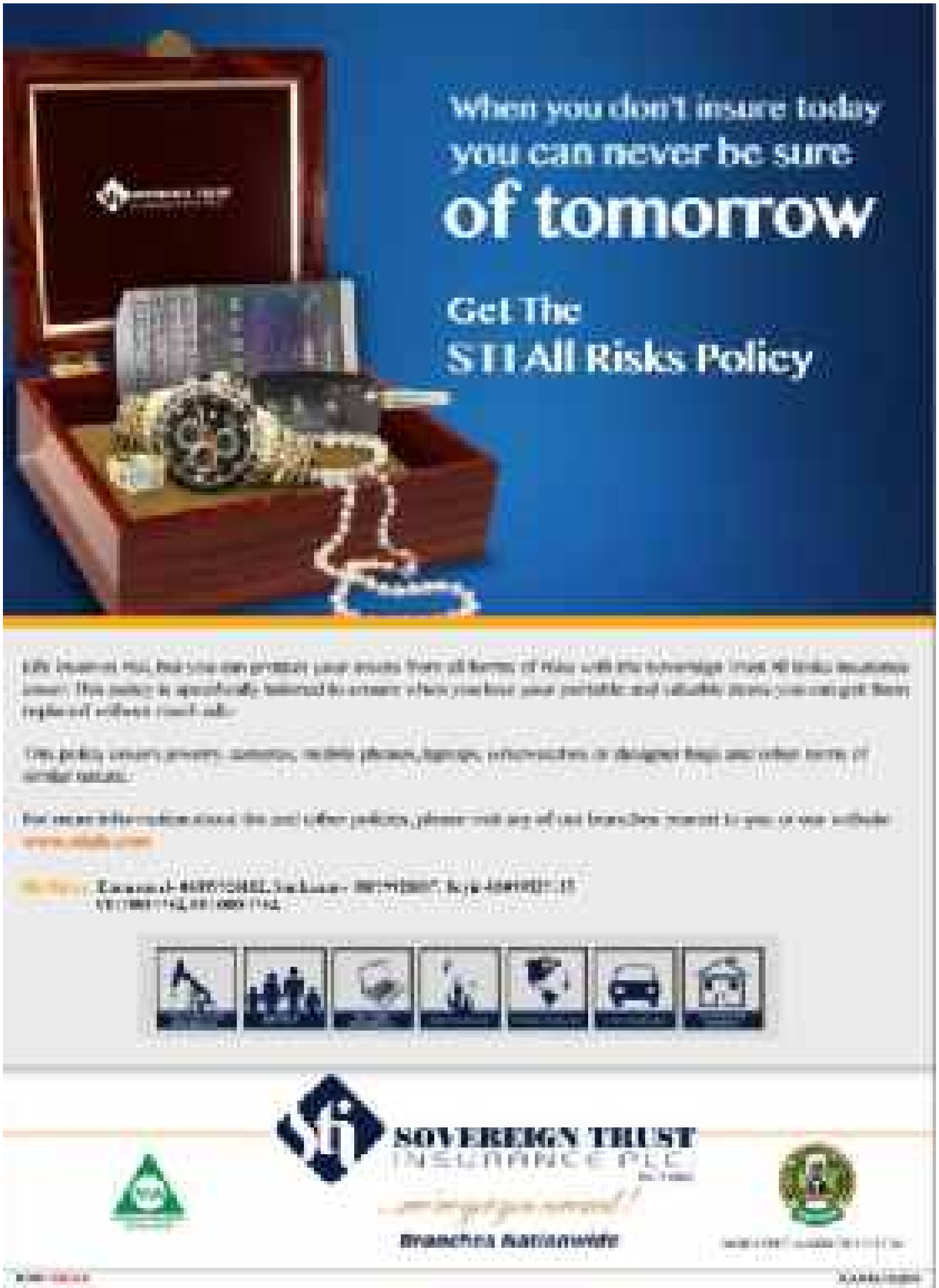
40 Related Party Transactions
These are expenses incurred by Board including the emolument paid to the Directors. This is debited to income statements as it is incurred.

Thinking Future

We reminisce our world prior to indemnities.
An uncovered world, typified by
closures and suddenness.
A world with neither shields nor securities
A risk-world; better imagined than lived.

This insecure past was conquered
by the resilience and healing plateau
of forthright underwriting and seamless
claims procedures.

Though already marked distinct,
our future must birth greater indemnity
penetrations and mitigations.
Our destination is still ahead of us.


When you don't insure today
you can never be sure
of tomorrow
Get The
STI All Risks Policy
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Branches Nationwide

STATEMENT OF FINANCIAL POSITION

	Notes	Dec. 2015	Dec. 2014
Assets		₦'000	₦'000
Cash and cash equivalents	1	2,582,695	2,236,085
Financial assets :			
- Available for sale	2.1	459,283	319,242
- Fair value through profit & loss	2.2	233,606	320,550
- Held to maturity	2.3	164,086	40,000
- Loans and receivable	2.4	72,929	187,164
Trade Receivables	3	115,751	57,551
Reinsurance Assets	4	1,822,099	2,011,841
Deferred Acquisition Costs	5	567,819	568,819
Other Receivables and Prepayment	6	430,493	158,710
Investment in Associate	7	58,104	49,202
Investment Properties	8	1,358,254	1,339,084
Property, Plant and Equipment	9	842,381	783,098
Statutory Deposits	10	315,000	315,000
Intangible Assets	11	29,424	25,775
Deferred tax Assets	18	212,945	80,725
Total Assets		**9,264,869**	**8,492,846**
Liabilities			
Insurance contract liabilities	12	3,046,784	3,073,723
Debt Securities in Issue	13	531,976	806,590
Trade Payables	14	313,403	140,147
Other Payables & Accruals	15	119,916	37,905
Retirement Benefit Obligations	16	210,488	240,689
Current Tax Payable	17	17,108	32,937
Total Liabilities		**4,239,674**	**4,331,991**
Equity			
Issued share capital	19	4,146,052	3,435,879
Share premium	20	116,843	116,843
Contingency reserve	21	1,885,194	1,671,227
Retained earnings	22	(1,124,065)	(1,486,795)
Available for Sale Reserve	23	1,171	13,416
Deposit for Share	24	-	410,284
Total Equity		**5,025,195**	**4,160,855**
Total Equity and Liabilities		**9,264,869**	**8,492,846**

These accounts were approved by the Board on April 20, 2016 and signed on its behalf by:

....	....	....
Mr. Kayode Adigun (CFO)	**Olaotan Soyinka (MD/CEO)**	**Oluseun O. Ajayi (Director)**
FRC/2013/ICAN/00000002652	**FRC/2013/CIIN/00000002671**	**FRC/2013/CIIN/00000003373**

The significant accounting policies on pages 52 to 73 and the accompanying explanatory notes on pages 82 to 134 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Dec. 2015 ₦'000	Dec. 2014 ₦'000
Gross Premiums Written		**7,132,224**	7,286,511
Gross Premium Income		**6,992,353**	7,656,639
Reinsurance expenses		**(3,058,118)**	(3,050,598)
Net premiums Earned	25	**3,934,235**	4,606,041
Fee and Commission Income	26	**411,462**	481,079
Net underwriting income		**4,345,697**	5,087,120
Claims expenses	27	**(1,506,511)**	(2,181,184)
Underwriting expenses	28	**(1,165,600)**	(1,198,872)
Underwriting profit		**1,673,586**	1,707,064
Investment income	29	**258,866**	112,132
Other income	30	**79,747**	112,981
Foreign exchange differences	31	**(1,816)**	48,962
Share of Profit/(loss) in Associate Company	32	**8,902**	(1,053)
Management expenses	33	**(1,425,791)**	(1,490,060)
		593,494	490,025
Finance Cost	34	**(138,648)**	(164,004)
Profit before tax		**454,846**	326,021
Income taxes	17	**127,363**	(31,078)
Profit after tax		**582,209**	294,943
Other Comprehensive Income			
Amount that can be reclassified to Profit or Loss			
Actuarial gains/(losses) in defined gratuity scheme	35	**31,911**	(14,267)
Unrealised net (losses)/gains arising during the period	36	**(12,244)**	(13,602)
Other comprehensive income for the year, net of tax		**19,667**	(27,869)
Total Comprehensive Income for the Year		**601,876**	267,074
Basic Earnings Per Share	37	**5.82**	4.74
Diluted Earnings Per share	37	**5.82**	4.74

The significant accounting policies on pages 52 to 73 and the accompanying explanatory notes on pages 82 to 134 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained Earnings	Available for Sale Reserve	Deposit for Shares	Contingency Reserve	Total Equity
	₦	₦	₦	₦		₦	₦
At 1 January 2015	3,435,879	116,843	(1,486,794)	13,416	410,284	1,671,227	4,160,855
Profit or loss for the period	-	-	582,209	-	-	-	582,209
Comprehensive Income	-	-	31,911	(12,244)	-	-	19,667
Total comprehensive income	3,435,879	116,843	(872,674)	1,171	410,284	1,671,227	4,762,731
Transaction with owners:							-
Right issue							
- Addition	299,889	-	-	-	-	-	299,889
- Deposit for shares	410,284	-	-	-	(410,284)	-	-
Capital Raising expenses	-	-	(37,424)	-	-	-	(37,424)
Transfer to Contingency Reserve	-	-	(213,967)	-	-	213,967	-
At 31 December 2015	4,146,052	116,843	(1,124,065)	1,171	-	1,885,194	5,025,195

	Share Capital	Share Premium	Retained Earnings	Available for Sale Reserve	Deposit for Shares	Contingency Reserve	Total Equity
	₦	₦	₦	₦		₦	₦
At 1 January 2014	3,435,879	116,843	(1,548,875)	27,018	-	1,452,632	3,483,497
Profit or loss for the period	-	-	294,943	-	-	-	294,943
Comprehensive Income	-	-	(14,267)	(13,602)	-	-	(27,869)
Total comprehensive income	3,435,879	116,843	(1,268,199)	13,416	-	1,452,632	3,750,571
Transaction with owners:							-
-Deposit for shares	-	-	-	-	410,284	-	410,284
Transfer to Contingency Reserve	-	-	(218,595)	-	-	218,595	-
At 31 December 2014	3,435,879	116,843	(1,486,794)	13,416	410,284	1,671,227	4,160,855

STATEMENT OF CASH FLOWS

	Note	31 Dec. 2015	31 Dec. 2014
Operating activities		**₦'000**	₦'000
Premium received from policy holders	3.3	**7,074,024**	7,228,960
Reinsurance receipt in respect of claim		**63,089**	237,847
Cash paid to and on behalf of employees	34	**(761,648)**	(740,040)
Reinsurance premium paid		**(3,058,118)**	(3,050,598)
Fees and Commission Income	26	**411,462**	481,079
Other Operating cash payments		**(1,364,796)**	(1,411,000)
Claims paid	27	**(1,736,410)**	(2,448,014)
Gratuity Benefit paid to employees		**(33,416)**	-
Company income tax paid	17	**(20,686)**	(32,391)
Net cash provided by operating activities	**38**	**573,502**	265,843
Investing activities			
Purchase of Fixed Assets	9	**(143,367)**	(324,241)
Advance payment for Building		**(300,000)**	-
Purchase of intangible asset	11	**(14,478)**	(24,226)
Repayment of Loan to organisation		**1,350**	2,100
Repayment of Mortgage loan		**8,455**	5,683
Disposal of state bond	2.3	**-**	10,000
Purchase of Commercial bond	2.3	**(124,086)**	(20,000)
Proceed on Sale of Fixed Assets		**2,228**	633
Liquidation of Managed fund		**104,431**	-
Purchase of investment property	8	**(11,199)**	(53,582)
Disposal of investment property	8	**-**	20,260
Investment in Quoted Stock	2.2	**(222,913)**	(530,303)
Disposal of Quoted Stock	2.2	**327,391**	541,944
Investment in unquoted Stock	2.1.2	**(16,800)**	(33,500)
Purchase of treasury bill	2.1	**(20,000)**	-
Investment in fixed deposit	2.1.1	**(245,097)**	(79,974)
Proceed on fixed deposit maturity/renewal	2.1.1	**129,612**	172,080
Interest & rental income	29	**231,495**	191,906
Dividend from Quoted investment	29	**9,837**	8,593
Unclaimed dividend received	30	**68,400**	-
Net cash inflow/(outflow) in investing activities		**(214,742)**	(112,626)
Financing activities			
Capital raising expenses		**(37,424)**	-
Redemption on bond liability	13	**(274,615)**	(260,307)
Deposit for shares	24	**(410,284)**	410,284
Issue of shares		**710,173**	-
Net cash (outflow)/inflow from financing activities		**(12,150)**	149,977
(Decrease)/Increase in cash and cash equivalents		**346,611**	303,196
Cash and cash equivalents at January 1,		**2,236,084**	1,932,889
Cash and cash equivalents at December 31,		**2,582,695**	2,236,085
Cash and cash equivalents at end of year comprises			
Cash and cash equivalents	**39a**	**2,582,695**	2,236,085

The significant accounting policies on pages 52 to 73 and the accompanying explanatory notes on pages 82 to 134 form an integral part of these financial statements.


Family isn't everything
it's the
only thing
with
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NOTES TO THE FINANCIAL STATEMENTS

1	Cash and Cash Equivalents	Dec. 2015	Dec. 2014
		₦'000	₦'000
	Cash	8,227	1,766
	Local bank balances	986,653	824,593
	Short term deposit and placements	1,587,815	1,409,726
		2,582,695	2,236,085

2	Financial Assets:	Dec. 2015	Dec. 2014
		₦'000	₦'000
	Available for sale (Note 2.1)	459,283	319,242
	Fair value through profit & loss (Note 2.2)	233,606	320,550
	Held to maturity (Note 2.3)	164,086	40,000
	Loans and receivable (Note 2.4)	72,929	187,164
		929,904	866,956
	Current	532,212	506,406
	Non-current	397,692	360,550
		929,904	866,956

2.1	Available for Sale	Dec. 2015	Dec. 2014
		₦'000	₦'000
	Placements with banks and other financial institutions (Note 2.1.1)	311,309	195,824
	Treasury bill	20,000	-
	Unquoted equity securities at fair value (Note 2.1.2)	127,974	123,418
		459,283	319,242

The fair value of unquoted equities was based on market evidence for the MTN shares which constituted over 54% of the total value. The over the counter price (OTC) that was used in the last transaction before the reporting date was used as a reflection of fair value.

2.1.1	Movement in placement with banks		
	Opening balance	195,824	274,190
	Interest adjustment	-	13,740
	Addition during the year	245,097	79,974
	Disposal/transfer during the year	(129,612)	(172,080)
		311,309	195,824

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
2.1.2	**Movement in unquoted stock**	**₦'000**	₦'000
	Opening balance	**123,418**	103,520
	Fair value adjustment	**(12,244)**	(13,602)
	Addition during the year	**16,800**	33,500
		127,974	123,418
2.2	**Fair value through profit or loss**		
	Opening balance	**320,550**	420,560
	Fair value adjustment	**17,534**	(88,367)
	Addition during the year	**222,913**	530,303
	Disposal/transfer during the year	**(327,391)**	(541,944)
	Quoted equity securities at fair value	**233,606**	320,550

Quoted equities are shares held in publicly quoted Companies and these shares are valued at their market prices.

2.3	**Held to maturity**		
	Opening balance	**40,000**	30,000
	Addition during the year	**124,086**	20,000
	Matured during the year	**-**	(10,000)
		164,086	40,000
2.3.1	**Held to maturity Financial Asset**		
	Osun State Bond	**10,000**	10,000
	Osun Sukuk Bond	**10,000**	10,000
	15.54% FGN 2020 bond	**124,086**	-
	FCMB SPV Bond	**20,000**	20,000
		164,086	40,000

The held to maturity investment relates to the fixed rate bond of Osun State bond ,Osun Sukuk bond and FCMB financing SPV series bond , with coupon rates of 14,75% , 14.75% and 14.25% respectively; the bond mature on December 2019, September 2020 and November 2021 respectively.
During the year FGN 2020 bond with a coupon rate of 15.54% was purchased.

2.4	**Loans and Receivables**		
	Mortgage loan	**39,830**	48,284
	Loans to organisation	**33,099**	34,449
		72,929	82,733
	Managed fund	**-**	104,431
		72,929	187,164

The managed fund of N104,431,000 represents money placed with fund managers for the purpose of discretionary investment with a guaranteed return of 14%.

2.5	**Movement in Loans**		
	Opening balance	**82,733**	90,516
	Repayment during the year	**(9,804)**	(5,893)
	Amortised cost adjustment	**-**	(1,890)
		72,929	82,733

		Dec. 2015	Dec. 2014
2.6	**Movement in Managed Fund**	**₦'000**	₦'000
	Opening balance	**104,431**	92,481
	Interest	**-**	11,950
	Liquidation during year	**(104,431)**	
		-	104,431

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
3	**Trade Receivable**	**₦'000**	₦'000
	Amount due from Insurance Brokers	**114,255**	48,579
	Due from Insurance Companies	**1,496**	8,972
		115,751	57,551

The balance on trade receivable represents amount collected within 30 days after 31st December 2015

3.1	**Analysis of Trade Receivables**		
	Brokers	**114,255**	48,579
	Insurance Companies	**1,496**	8,972
		115,751	57,551
3.2	**Movement in Trade Receivables**		
	At 1 January	**57,551**	98,328
	Gross premium written	**7,132,224**	7,286,511
	Premium Received (Note 3.3)	**(7,074,024)**	(7,327,289)
	At 31 December	**115,751**	57,551
3.3	**Analysis of Premium Received**		
	Prior year	**57,551**	98,328
	Current Year	**7,016,473**	7,228,960
		7,074,024	7,327,289
3.4	**The age analysis of trade receivable**		
	Within 30 days	**115,751**	57,551
	Above 30 days	**-**	-
		115,751	57,551
4	**Reinsurance assets**		
	Reinsurance assets- Unearned Premium (Note 4.2)	**1,557,939**	1,456,375
	Reinsurance assets- Outstanding claim (Note 4.1)	**264,160**	555,466
		1,822,099	2,011,841

Reinsurance assets are to be settled on demand and the carrying amounts are not significantly different from the fair value. Reinsurance assets are not impaired as balances are set off against payable from retrocession at the end of every quarter.

4.1	**Outstanding Claim Reinsurance Assets**		
	Opening balance	**555,466**	642,344
	Reinsurance Cost during the year	**2,766,812**	2,963,720
		3,322,278	3,606,064
	Less Amortised Reinsurance Expenses	**(3,058,118)**	(3,050,598)
		264,160	555,466

		Dec. 2015	Dec. 2014
4.2	**Unearned Premium Reinsurance Assets**	**₦'000**	₦'000
	Opening balance	**1,456,375**	2,009,943
	Change in reinsurance recoverable	**101,564**	(553,569)
		1,557,939	1,456,375

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
5	**Deferred Acquisition Cost**	**₦'000**	₦'000
	Opening balance	**568,819**	548,295
	Addition during the year	**921,384**	1,029,826
	Charged during the year	**(922,384)**	(1,009,302)
		567,819	568,819

Deferred acquisition cost represents commissions on unearned premium relating to the unexpired risk. The movement in the deferred acquisition cost during the year is shown below:

5.1 Deferred Acquisition Costs by Class

	Motor	**122,526**	122,742
	Fire and property	**72,151**	72,278
	Marine and aviation	**45,540**	45,620
	General Accident	**93,848**	94,013
	CAR/Engineering	**20,230**	20,265
	Energy	**213,524**	213,901
		567,819	568,819
6	**Other Receivables & Prepayments**		
	Staff debtors	**6,111**	9,858
	Prepayments	**124,382**	148,852
	Advance payment for Building	**300,000**	-
	Total Other Debtors and Prepayments	**430,493**	158,710

This Advance payment represents deposit for purchase of building at 17, Ademola Adetokunbo Victoria Island Lagos.

7	**Investment in Associate**		
	Investment STI Leasing	**74,200**	74,200
	Share of Profit in STI Leasing (7.1)	**(16,096)**	(24,998)
		58,104	49,202
7.1	**Analysis of Share of Associate Loss**		
	Opening balance	**(24,998)**	(23,945)
	Share during the year	**8,902**	(1,053)
		(16,096)	(24,998)

The Company now has 42% (2014:43%) interest in STI Leasing Limited, which is involved in Leasing services to private and public sector contributors. STI Leasing Limited was incorporated as a Limited Liability Company under the Companies and Allied Matters Act, 2004 and licensed as a Leasing Company. STI Leasing Limited is domiciled in Nigeria and its registered office is at 22 Keffi Street Ikoyi Lagos.

STI Leasing issued 5,000,000 ordinary shares during the year which diluted the Company's interest from 43% to 42%.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

8	**Investment Properties**	**Dec. 2015**	Dec. 2014
		₦'000	₦'000
	Opening carrying amount	**1,339,084**	1,222,022
	Additions during the year	**11,199**	53,582
	Disposals during the year	**-**	(20,260)
	Fair value gain	**7,971**	83,739
	Balance at the end of the year	**1,358,254**	1,339,084

		Dec. 2015	Dec. 2014
8a	**Investment Properties**	**₦'000**	₦'000
	May fair gardens	**32,000**	30,000
	Royal gardens Estate	**55,000**	55,000
	Damac Properties	**93,431**	93,431
	Ibeshe properties	**43,000**	43,000
	Agbara Estate properties	**203,707**	203,707
	Sunrise Estate Ipaja	**37,000**	37,000
	Solteby Apartment	**27,000**	27,000
	Investment Properties along Epie Swali Road Yenagoa	**51,416**	47,300
	Investment Properties in Emerald court Victoria Island	**123,200**	122,000
	Investment Properties at Alagbaka Junction Akure	**382,500**	380,645
	Investment Properties along Awolowo Road Ikoyi	**260,000**	250,000
	Investment Properties at old Yaba Road	**50,000**	50,000
		1,358,254	1,339,084

The above are investments in land & Buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operation of the company. This is carried in the financial position at their market value and revalued periodically on systematic basis every year.

Investment properties are stated at fair value, which has been determined based on valuations performed by Jide Taiwo & Co. with FRC registration number (FRC/2012//00000001254), J. Ajay Patunola & Co with registration number FRC/2012//00000000679, Osato Osawaya & Co with registration number FRC/2013/NIESV/00000004002 and Gerry Ikputu & Partners with registration number FRC/2013/NIESV/00000001685, the estate surveyors and valuers/project managers as at December 2015 and 2014.

The valuers are the industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represent the amount at which the assets could be exchanged between knowledgeable, willing buyers and knowledgeable, seller in an arm's length transaction at the date of valuation, in accordance with standards issued by international valuation standards committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the income statement.

This is an investment in land and buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operation of the company. This is carried in the financial position at their market value and revalued periodically on systematic basis at least once in every three years.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

9 Property, plant and equipment

	Land ₦'000	Buildings ₦'000	Work in Progress ₦'000	Leasehold improvement ₦'000	Office equipment ₦'000	Furniture & fittings ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Plant & machinery ₦'000	Total ₦'000
Cost										
At 1 January 2015	67,302	231,682	165,447	134,014	77,036	109,472	191,604	917,274	56,239	1,950,071
Additions	-		90,412		1,504	491	6,425	27,350	17,185	143,367
Disposals	-	-	-	-				(30,980)	-	(30,980)
At 31 December 2015	**67,302**	**231,682**	**255,860**	**134,014**	**78,540**	**109,963**	**198,029**	**913,644**	**73,424**	**2,062,457**
Accumulated depreciation										
At 1 January 2015	-	(44,497)	-	(47,590)	(74,065)	(88,003)	(186,463)	(696,553)	(29,802)	(1,166,973)
Charge for the year	-	(5,577)	-	(8,642)	(780)	(3,228)	(3,360)	(56,356)	(6,112)	(84,056)
Disposals	-	-	-	-		-	-	30,980	-	30,980
At 31 December 2015	**-**	**(50,074)**	**-**	**(56,233)**	**(74,845)**	**(91,259)**	**(189,823)**	**(721,929)**	**(35,914)**	**(1,220,077)**
Net book amount at 31 December 2015	**67,302**	**181,609**	**255,860**	**77,781**	**3,694**	**18,704**	**8,206**	**191,715**	**37,510**	**842,381**
Net book amount at 31 December 2014	67,302	187,185	165,447	86,424	2,971	21,469	5,141	220,721	26,437	783,098
Cost										
At 1 January 2014	67,302	231,682	-	118,286	74,400	108,457	183,519	802,319	56,239	1,642,205
Additions	-	-	165,447	15,728	2,811	1,015	8,085	131,155	-	324,241
Disposals	-	-	-	-	(175)	-	-	(16,200)	-	(16,375)
At 31 December 2014	**67,302**	**231,682**	**165,447**	**134,014**	**77,036**	**109,472**	**191,604**	**917,274**	**56,239**	**1,950,071**
Accumulated Depreciation										
At 1 January 2014	-	(42,952)	-	(44,276)	(69,913)	(82,529)	(177,021)	(649,937)	(26,990)	(1,093,619)
Charge for the year	-	(1,545)	-	(3,314)	(4,326)	(5,474)	(9,442)	(62,816)	(2,812)	(89,729)
Disposals	-	-	-	-	175	-	-	16,200	-	16,375
At 31 December 2014	**-**	**(44,497)**	**-**	**(47,590)**	**(74,065)**	**(88,003)**	**(186,463)**	**(696,553)**	**(29,802)**	**(1,166,973)**
Net Book Amount at 31 December 2014	**67,302**	**187,186**	**165,447**	**86,424**	**2,971**	**21,470**	**5,141**	**220,721**	**26,438**	**783,098**
Net Book Amount at 31 December 2013	67,302	188,730	-	74,010	4,487	25,928	6,497	152,382	29,249	548,586

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

10 Statutory deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2015 (31 December, 2014 : N315,000,0000, in accordance with section 9(1) and section 10(3) of Insurance Act 2003. Statutory deposits are measured at cost.

	Dec. 2015 ₦'000	Dec. 2014 ₦'000
Statutory Deposit	**315,000**	315,000

11 Intangible Assets - Computer Software

Cost		
Opening Balance	**33,522**	9,296
Additions during the year	**14,478**	24,226
Closing Balance	**48,000**	33,522
Amortization		
Opening Balance	**7,747**	3,096
Amortization	**10,829**	4,651
Closing Balance	**18,576**	7,747
Carrying Amount	**29,424**	25,775

12 Insurance Contract Liabilities

Outstanding reported claims(Note 12b)	**468,153**	1,100,058
Incurred But Not Reported (IBNR)	**449,010**	(16,085)
Total Outstanding Claim (Note 12a)	**917,163**	1,083,973
Unearned premium provision (Note 12c)	**2,129,622**	1,989,750
	3,046,784	3,073,723
Current	**3,046,784**	3,073,723
Non-current	**-**	-
	3,046,784	3,073,723

12a Outstanding Claims Reserve	**Dec. 2015 ₦'000**	Dec. 2014 ₦'000
As at January 1	**1,083,973**	1,112,956
Movement in OCR	**(166,810)**	(28,983)
As at December 31	**917,163**	1,083,973

12b The sum outstanding reported claims as at 31 December 2015 according to age analysis is as follows:

0 - 90 days	**365,303**	324,060
91 - 180 days	**69,000**	266,500
181 - 270 days	**29,500**	464,130
270 - 365 days	**-**	-
365 days and above	**4,350**	45,368
	468,153	1,100,058

12c Unearned Premium Provision

At the beginning of the year	**1,989,750**	2,359,878
Gross Premium written	**7,132,225**	7,286,511
Gross Premium Earned	**(6,992,353)**	(7,656,639)
	2,129,622	1,989,750

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
12d	**Liabilities as Per Class of Business**		
	Outstanding Claim	**₦'000**	₦'000
	Motor Vehicle	**166,152**	234,593
	Fire and property	**189,092**	134,597
	Marine & Aviation	**127,221**	87,266
	General Accident	**175,190**	178,748
	C. A. R Engineering	**18,618**	38,752
	Energy	**240,890**	410,018
		917,163	1,083,973
12e	**Unearned Premium Provision**		
	Motor vehicle	**203,803**	155,360
	Fire and property	**216,712**	91,485
	Marine & Aviation	**134,579**	57,743
	General Accident	**242,529**	118,996
	C. A. R Engineering	**106,600**	25,651
	Energy	**1,225,399**	1,540,515
		2,129,622	1,989,750
12f	**Allocation of Assets to Policy holder**		
	Cash and cash equivalent	**2,350,252**	2,033,931
	Financial Assets	**408,646**	356,727
	Investment Properties	**747,040**	676,078
	Reinsurance Assets	**1,822,099**	2,011,841
		5,328,037	5,078,577
12g	**Cash and cash equivalent**		
	Policy holders Fund	**2,350,252**	2,033,931
	Share holders Fund	**232,443**	202,152
		2,582,695	2,236,083
12h	**Available for Sale**		
	Policy holders Fund	**280,163**	195,824
	Share holders Fund	**179,120**	123,418
		459,283	319,242
12i	**Fair Value Through Profit or Loss**		
	Policy holders Fund	**128,483**	160,903
	Share holders Fund	**105,123**	159,647
		233,606	320,550
12j	**Held to maturity**		
	Policy holders Fund	**96,811**	20,000
	Share holders Fund	**67,275**	20,000
		164,086	40,000
12k	**Loans and Receivables**		
	Policy holders Fund	**-**	-
	Share holders Fund	**72,929**	187,164
		72,929	187,164
12l	**Investment Properties**		
	Policy holders Fund	**747,040**	676,078
	Share holders Fund	**611,214**	663,006
		1,358,254	1,339,084

		Dec. 2015	Dec. 2014
12m	**Investment in Associate Company**	**₦'000**	₦'000
	Policy holders Fund	**-**	-
	Share holders Fund	**58,104**	49,202
		58,104	49,202

		Dec. 2015	Dec. 2014
13	**Debt Securities in Issue**	**₦'000**	₦'000
	As at January 1	**806,590**	1,066,897
	Redemptions	**(274,615)**	(240,740)
	Exchange differences	**-**	(19,567)
	As at December 31	**531,976**	806,590

This represents zero coupon JPY846,000,000 direct, unconditional, unsubordinated and unsecured European Bond with options issued to Daewoo Securities Europe Limited in 2008. The underlying Bond has a put period of 30 months with a yield to put of 4.25% per annum while the tenor of the convertible option is valid up to year 2024. The purpose for which the Bond was issued relates to Expansion of Branch Network, Upgrade of Information and Communication Technology and Working Capital.

The option, commonly referred to as "Call Option" is the option side of the instrument and gives the option holder (Daewoo Securities) the right but not obligation to subscribe to the equity of the issuer at an agreed price (Strike Price) and predetermined time period (Expiration). When exercised, a fresh injection of the capital is required to take up the new issues created.

The Company has secured the consent and agreement of Daewoo Securities (Europe) Limited to restructure the bond for a period of 5 years commencing from year 2013 to 2017 under a new interest rate (10%) arrangement which incorporate any previous default interest.

14	**Trade Payables**		
	Due to reinsurers	**113,031**	120,077
	Due to insurance companies	**200,372**	20,071
		313,403	140,147

15	**Other Payables**		
	Lease creditors	**35,406**	13,027
	Accrued expenses	**-**	14,885
	Unclaimed Dividend payable	**68,400**	-
	Sundry creditors	**16,110**	9,993
		119,916	37,905

16 Retirement Benefit Obligations

The Company operates a gratuity scheme where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period of ten (10) years and gross salary on date of retirement.

	Dec. 2015	Dec. 2014
Consolidated statement of financial position obligation for:	**₦'000**	₦'000
Staff Gratuity Plan	**210,488**	240,689
Income statement charge for:		
Staff Gratuity Plan	**-**	-

Actuarial gains/ (losses) are recognized in the statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

16a Staff Gratuity Plan

The amounts recognized in the balance sheet are determined as follows:	Dec. 2015	Dec. 2014
	₦'000	₦'000
Present value of funded obligations	240,689	336,442
Reversal of previous year curtailment	-	(64,732)
Fair value of plan assets	(30,201)	(31,021)
Present value of unfunded obligations	210,488	240,689

The movement in the defined benefit obligation over the year is as follows:	Dec. 2015	Dec. 2014
	₦'000	₦'000
As at January 1	240,689	336,442
Current service cost	-	-
Interest cost	35,126	-
Reversal of previous year curtailment	-	(64,732)
Actuarial losses/(gains)	(31,911)	14,267
Benefits paid	(33,416)	(45,288)
As at December 31	210,488	240,689

The amounts recognized in the income statement are as follows:	Dec. 2015	Dec. 2014
	₦'000	₦'000
Current service cost	-	-
Interest cost	35,126	-
Total, included in staff costs	35,126	-

The principal actuarial assumptions were as follows:		
Average long term discount rate (p.a.)	12%	15%
Average long term rate of inflation (p.a.)	9%	9%
Average long term pay increase (p.a.)	12%	12%

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Sample age	Number of deaths in year out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

Withdrawal from Service

Age band	Rate
Less than or equal to 30	7.5%
31 – 39	6.0%
40 – 44	5.0%
45 – 50	4.0%
51 – 55	3.0%
56 – 56	0.0%

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

17	**Taxation**	**Dec. 2015**	Dec. 2014
	Income Tax Expense	**₦'000**	₦'000
	Company income tax	**-**	29,520
	Education Tax	**-**	-
	IT Development Levy (NITDA)	**4,857**	3,075
	Total current tax	**4,857**	32,596
	Deferred Tax		
	Origination and reversal of temporary differences	**(132,220)**	(1,518)
	Impact of change in tax rate		
	Amount of previously unused tax losses	**-**	-
	Write down or reversal of deferred tax assets		
	Total Deferred Tax	**(132,220)**	(1,518)
	Income Tax Expense	**(127,363)**	31,078

Profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit Before Income Tax	**453,828**	326,021
Tax calculated at the corporate tax rate (30%)	**136,148**	97,806
Effect of:		
Non-deductible expenses	**84,056**	89,729
Education tax levy	**-**	-
IT Development Levy (NITDA)	**4,857**	3,075
Tax exempt income	**(220,204)**	(158,014)
Deferred tax	**(132,221)**	(1,518)
Tax Incentive		
Total income tax expense in income statement	**(127,363)**	31,078
Effective tax rate	**(28.06%)**	10.11%

The current tax charge has been computed at the applicable rate of 30% (31 December 2014: 30%) plus education levy of 2% (31 December 2014: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductable expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt incomes include income such as dividend income and income from government bonds which are not taxable.

The movement in the current income tax liability is as follows:	**Dec. 2015**	Dec. 2014
	₦'000	₦'000
As at January 1	**32,937**	32,732
Tax paid	**(20,686)**	(32,391)
Income tax charge	**4,857**	32,596
As at December 31	**17,108**	32,937
Current	**17,108**	32,937
Non-current	**-**	-
	17,108	32,937

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

18 Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % for 2015 and 2014 respectively.

Deferred income tax assets and liabilities are attributable to the following items:

	Dec. 2015	Dec. 2014
Deferred tax liabilities	₦'000	₦'000
Fixed assets	80,725	79,207
	80,725	79,207
Deferred tax assets		
Defined benefit obligation	132,220	1,518
	132,220	1,518
As at December 31	212,945	80,725

	Dec. 2015 ₦'000	Dec. 2014 ₦'000
Net Deferred Tax Asset/(Liability)	212,945	80,725
Deferred Tax Asset/(Liability)		
To be recovered after more than 12 months	132,220	1,518
To be recovered within 12 months	-	-
	132,220	1,518

Movements in temporary differences during the year:	1 Jan. 2015 ₦'000	Recognized in P&L ₦'000	Recognized in OCI ₦'000	31 Dec. 2015 ₦'000
Fixed assets	70,591	115,622	-	186,213
Defined benefit obligation	10,134	16,598	-	26,732
	80,725	132,220	-	212,945

Movements in temporary differences during the year:	1 Jan. 2015 ₦'000	Recognized in P&L ₦'000	Recognized in OCI ₦'000	31 Dec. 2015 ₦'000
Fixed assets	59,767	10,824	-	70,591
Employee benefits	19,440	(9,306)	-	10,134
	79,207	1,518	-	80,725

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
19	**Share Capital**		
	Authorized	**₦'000**	₦'000
	10,500,000,000 Ordinary Shares of 50k each	**5,250,000**	5,250,000
	Issued and fully paid		
	8,292,140,000 of Ordinary Shares of 50k each (2014- 6,871,757,394)	**4,146,052**	3,435,879
	Movements during the period:		
	As at January 1	**3,435,879**	3,435,879
	Rights Issue	**710,173**	-
	As at December 31	**4,146,052**	3,435,879

During the year, Issued share capital increased by 1,420,346,000 of ordinary shares of 50 kobo (N 710,173,000) through Rights issue

20	**Share Premium**		
	As at January 1	**116,843**	116,843
	Movement in the year	**-**	-
	As at December 31	**116,843**	116,843

Premiums from the issue of shares are reported in share premium.

		Dec. 2015	Dec. 2014
21	**Contingency Reserve**	**₦'000**	₦'000
	As at January 1	**1,671,227**	1,452,632
	Transfer from retained earnings	**213,967**	218,595
	As at December 31	**1,885,194**	1,671,227

Contingency reserve is calculated, in the case of non-life business, at the rate of the higher of 3% of total gross premium during the period or 20% of the net profits in accordance with Section 21(2) of Insurance Act, 2003.

		Dec. 2015	Dec. 2014
22	**Retained Earnings**	**₦'000**	₦'000
	As at January 1	**(1,486,794)**	(1,548,875)
	Statement of comprehensive income	**582,209**	294,943
	Other Comprehensive Income	**31,911**	(14,267)
	Capital Raising Expenses	**(37,424)**	-
	Transfer to Contingency Reserve	**(213,967)**	(218,595)
	As at December 31	**(1,124,065)**	(1,486,795)

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

		Dec. 2015	Dec. 2014
23	**Available for Sale Reserve**	**₦'000**	₦'000
	As at 1 January	**13,416**	27,018
	Transfer from Other Comprehensive Income	**(12,245)**	(13,602)
		1,171	13,416

The fair value reserve shows the effects from the fair value measurement of financial instruments of the category available for sale after deduction of deferred taxes. Any gains or losses are not recognized in the consolidated income statement until the asset has been sold or impaired.

24	**Deposit for Shares**	**-**	410,284

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
25	**Net premium income**	**₦'000**	₦'000
	Gross premium written	**7,132,224**	7,286,511
	Provision for unearned premium (Note 25a)	**(139,871)**	370,128
	Gross premium income	**6,992,353**	7,656,639
	Reinsurance cost (Note 25b)	**(3,058,118)**	(3,050,598)
		3,934,235	4,606,041
25a	**Increased/(Decrease) in unearned premium**		
	Motor	**51,811**	124,534
	Fire and property	**125,227**	158,107
	Marine & Aviation	**76,836**	52,766
	General Accident	**125,483**	160,847
	C.A.R and Engineering	**80,949**	70,291
	Energy	**(320,434)**	(936,673)
		139,871	(370,128)
25b	**Reinsurance expense**		
	Reinsurance premium (Cost) paid during the year	**3,159,683**	2,497,029
	(Increase)/Decrease in prepaid Reinsurance Premium	**(101,565)**	553,569
		3,058,118	3,050,598
25c	**Reinsurance cost**		
	Motor	**273,902**	32,037
	Fire and property	**174,741**	162,290
	Marine & Aviation	**145,842**	155,588
	General Accident	**204,886**	178,147
	C.A.R and Engineering	**46,169**	44,649
	Energy	**2,212,578**	2,477,887
		3,058,118	3,050,598

26 Fee and commission income

Fee income represents commission received on direct business and transactions ceded to re-insurance during the year under review.

	Commission	**197,823**	157,965
	Fee	**213,639**	323,114
		411,462	481,079
26a	**Commission Income**		
	Motor	**679**	485
	Fire and property	**55,512**	49,542
	Marine & Aviation	**50,240**	37,935
	General Accident	**60,979**	56,362
	C.A.R and Engineering	**29,876**	13,640
	Energy	**537**	-
		197,823	157,965
26b	**Fee**		
	Energy	**213,639**	323,114
27	**Claims expenses**		
	Current year claim paid	**1,736,410**	2,448,014
	Movement in outstanding claims provision	**(166,810)**	(28,983)
		1,569,600	2,419,031
	Recoverable from reinsurer	**(63,089)**	(237,847)
		1,506,511	2,181,184

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

		Dec. 2015	Dec. 2014
28	**Underwriting expenses**	**₦'000**	₦'000
	Acquisition cost-Commission Paid	**922,384**	1,009,302
	Maintenance cost	**243,216**	189,570
		1,165,600	1,198,872
29	**Investment income**		
	Interest income	**207,499**	166,046
	Dividend from Quoted investments	**9,837**	8,593
	Rental income	**23,996**	25,860
	Stock Trading (Loss)/Income	**17,534**	(88,367)
		258,866	112,132

Stock trading income is the income realised on stock trading activities and appreciation occasioned by marking the equity portfolio to market on monthly basis in the course of the year.

29a	**Allocation of Investment Income**		
	Policy holders Fund	**188,972**	82,152
	Share holders Fund	**69,894**	29,980
		258,866	112,132
30	**Other operating income**		
	Profit on sale of fixed assets	**2,227**	633
	Fair value gain on investment properties	**7,971**	83,739
	Other incomes	**69,549**	28,609
		79,747	112,981

Other incomes represent the incomes realised from the business which Sovereign Trust Insurance served as lead underwriter.

31	Foreign Exchange Difference	**(1,816)**	48,962

These are loss/gain arising from applying effective rate zero coupon bond

32	**Share of Profit / (loss) in Associate Company**		
	Associate Profit / (loss)	**21,196**	(2,443)
	Share of Associate Profit / (Loss) (42%) in 2015	**8,902**	(1,053)

Investment in Associate was accounted for using the equity method (IAS 28).

33	**Management Expenses**		
	Auditors Remuneration	**7,500**	7,500
	Employee Benefits (35a)	**761,648**	740,040
	Other Management Expenses (35b)	**561,730**	652,791
	Depreciation and Amortisation	**94,913**	89,729
		1,425,791	1,490,060
33a	**Employee Benefits**		
	Salaries	**684,224**	713,552
	Defined contribution pension costs	**38,124**	26,488
	Defined benefit retirement gratuity costs	**39,300**	-
		761,648	740,040

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

33b	**Other Management Expenses**	**Dec. 2015**	Dec. 2014
		₦'000	₦'000
	Travel and Representation	**37,803**	122,810
	Advertising	**89,051**	133,972
	Occupancy Expenses	**42,504**	48,415
	Communication and Postages	**16,747**	3,950
	Data Processing	**17,932**	33,542
	Office Supply and Stationery	**16,350**	18,856
	Fees and Assessments	**115,410**	115,519
	Furniture, Equipments and Miscellaneous Expenses	**225,933**	175,726
		561,730	652,791

34	**Finance Cost**		
	Bank Charges	**50,764**	52,218
	Amortised cost written off	**-**	1,890
	Interest on Daewoo Bond	**87,884**	109,896
		138,648	164,004

Finance cost represents interest paid on zero coupon rate bond and bank charges

35	**Actuarial losses in defined gratuity scheme**	**31,911**	(14,267)
36	**Unrealised fair value gains / (losses) on Available for Sale**	**(12,244)**	(13,602)

Unrealised Net gains / (losses) relate to fair value adjustments on the investments in the MTN Shares which are classified as available for sale. Fair value adjustments on available for sale investments are recognized in OCI.

37 Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Dec. 2015	Dec. 2014
	₦'000	₦'000
Profit/(loss) of the Company	**454,846**	326,021
Weighted average number of ordinary shares in issue		
(7,818,654,727 Ordinary Shares of 50k each)	**7,818,655**	6,871,757
Basic earnings per share (expressed in Kobo per share)	**5.82**	4.74
Diluted Earnings Per Share	**5.82**	4.74
Weighted Ordinary Shares		
At 1 January	**6,871,757**	6,871,757
Addition during the year	**946,898**	
	7,818,655	6,871,757

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

38 Reconciliation of Operating Profit before Tax to cash generated from Operations

	Dec. 2015	Dec. 2014
	₦'000	₦'000
Profit before income tax	**454,846**	326,021
Adjust. to recon. net profit/(loss) to net cash provided/(utilized):		
Loss/(profit) on sale of fixed assets	**(2,228)**	(633)
Fair value adjustment to Quoted stock	**(17,534)**	88,368
Depreciation of property, plant & equipment	**84,056**	89,729
Amortization of intangible asset	**10,829**	4,651
Interest income	**(231,495)**	(191,906)
Fair value gain on investment property	**(7,971)**	(83,739)
Fair value gain on managed fund	-	(11,950)
Dividend from Quoted investment	**(9,837)**	(8,593)
Share of loss in associate	**(8,902)**	1,053
Fair value adjustment of Bank Placement	-	(13,740)
Interest cost on retirement benefit	**35,126**	(64,732)
Interest expenses		109,896
Changes in operating assets and liabilities		
Trade receivables	**(58,200)**	40,777
Creditors and accruals	**186,895**	(78,843)
Outstanding claims	**(166,810)**	(28,983)
Other debtors and prepayments	**28,217**	26,247
Deferred acquisition cost	**1,000**	(20,524)
Reinsurance assets	**189,742**	640,446
Unearned premium	**139,871**	(370,128)
Cash generated from operations	**627,604**	453,417
Tax paid	**(20,686)**	(124,359)
Gratuity Benefit paid to employees	**(33,416)**	-
Net cash provided by operating activities	**573,502**	925,703

39a

	Dec. 2015	Dec. 2014
Cash and Cash Equivalents		
For purpose of cash flow statement	₦'000	₦'000
Cash and Cash Equivalents	**994,880**	826,359
Short term deposit and placements-Local	**1,587,815**	1,409,726
	2,582,695	2,236,085

40 Contingent liabilities and commitments

(a) Legal proceedings

At the balance sheet date, there were no unsettled legal proceedings in court against the Company. Therefore no provisions have been made in the accompanying financial Statements.

(b) Capital commitment

The company has spent approx. N255 million on ongoing building projects and has been included in the financial statements as at 31 December, 2015.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

41 Related Party Transactions

Sovereign Trust is wholly owned by Nigerian citizens and has no subsidiaries.

The following transactions were carried out with related parties.

	Dec. 2015	Dec. 2014
(a) Sales of insurance contracts and other services	**₦'000**	₦'000
Sales of insurance contracts		
- Key management personnel	-	-
- Related entities	-	-
Sales of services		
- Key management personnel	-	-
- Related entities	-	-
(b) Purchases of Products and Services		
- Key management personnel	-	-
- Related entities	-	-
(c) Key management compensation		
Chairman and Directors Emoluments		
Fees:		
Chairman	**800**	800
Other Directors	**4,200**	4,200
	5,000	5,000
As executive	**36,742**	36,742
	41,742	41,742
The highest paid director	**20,065**	20,065

The number of Directors (including the Chairman) whose emoluments were within the following ranges were:

	Number	Number
N50,000 - N1,000,000	**7**	7
N2,000,001 – Above	**1**	1
(d) Loans to Related Parties		
Mortgage loans to Key management personnel	**35,507**	39,732

These loans are repayable on a monthly basis and bears interest at 6% per annum.

42 Employees

The average number of persons employed at the end of the period was:

	Number Dec. 2015	Number Dec. 2014
Executive directors	**2**	2
Management	**20**	21
Non-management	**152**	156
	174	179

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

The staff costs for the above persons were:	**Dec. 2015**	Dec. 2014
	₦'000	₦'000
Salaries and wages	**713,552**	760,523
Staff gratuity	**-**	14,260
Staff pension	**26,488**	19,389
	740,040	794,172

The number of employees of the company, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Number	
	Dec. 2015	Dec. 2014
₦300,001 - ₦400,000	**6**	5
₦400,001 - ₦500,000	**9**	9
₦500,001 - ₦600,000	**6**	6
₦600,001 - ₦700,000	**12**	12
₦800,001 - ₦900,000	**14**	14
₦900,001 - ₦1,000,000	**21**	21
₦1,000,001 - ₦1,100,000	**16**	16
₦1,100,001 - ₦1,200,000	**20**	20
₦1,200,001 - ₦1,300,000	**11**	11
₦1,300,001 - ₦1,400,000	**13**	13
₦1,400,001 - ₦1,500,000	**14**	14
₦1,500,001 - ₦2,000,000	**11**	11
₦2,000,001 - ₦3,000,000	**7**	7
₦3,000,001 and above	**14**	15
	174	174

43 Events after statement of financial position date

The directors are of the opinion that there is no event that will significantly affect the financial statements after the reporting date.

44 Segment Results

31 December 2015	Motor Business ₦' 000	Fire and Property ₦' 000	Marine and Aviation ₦' 000	General Accident ₦' 000	C.A.R. and Engineering ₦' 000	Energy Business ₦' 000	Total ₦' 000
Direct Premium	1,415,943	956,789	612,257	961,665	281,081	2,848,520	7,076,255
Inward Premium	26,253	10,545	4,563	7,324	6,308	977	55,970
Gross Premium Written	**1,442,196**	**967,334**	**616,820**	**968,989**	**287,388**	**2,849,497**	**7,132,224**
(Increase)/Decrease in Unexpired Risk	(51,811)	(125,227)	(76,836)	(125,483)	(80,949)	320,434	(139,871)
Gross Premium Earned	**1,390,386**	**842,107**	**539,984**	**843,506**	**206,439**	**3,169,930**	**6,992,353**
Reinsurance Cost	(273,902)	(174,741)	(145,842)	(204,886)	(46,169)	(2,212,578)	(3,058,118)
Net Premium Earned	**1,116,484**	**667,366**	**394,142**	**638,620**	**160,270**	**957,352**	**3,934,235**
Commission Received	679	55,512	50,240	60,979	29,876	214,176	411,462
Total Income	**1,117,162**	**722,878**	**444,382**	**699,599**	**190,146**	**1,171,529**	**4,345,697**
Direct Claims Paid	586,286	454,844	187,806	233,015	34,112	240,347	1,736,410
Incr./(Decr.) in Outstanding Claims	(21,307)	(160,241)	62,469	(31,503)	(11,041)	(5,188)	(166,810)
Gross Claims Incurred	564,979	294,603	250,275	201,512	23,071	235,160	1,569,600
Reinsurance Recovery	30,180	(122,574)	(27,376)	(95,460)	(8,481)	160,622	(63,089)
Net Claims Incurred	595,159	172,029	222,899	106,051	14,590	395,782	1,506,511
Acquisition Costs	187,222	208,692	171,853	199,272	78,761	76,584	922,384
Maintenance Costs	71,733	44,839	45,686	19,180	4,070	57,708	243,216
Total Expenses	**854,114**	**425,560**	**440,438**	**324,504**	**97,421**	**530,074**	**2,672,111**
Underwriting Profit	**263,049**	**297,318**	**3,944**	**375,095**	**92,725**	**641,455**	**1,673,586**

Premium as Per Class of Business

44 Segment Results

31 December 2014	Motor Business ₦' 000	Fire and Property ₦' 000	Marine and Aviation ₦' 000	General Accident ₦' 000	C.A.R and Engineering ₦' 000	Energy Business ₦' 000	Total ₦' 000
Direct Premium	1,526,186	920,210	580,817	1,196,932	258,010	2,723,290	7,205,445
Inward Premium	28,395	16,395	15,709	9,370	9,494	1,703	81,066
Gross Premium Written	**1,554,581**	**936,605**	**596,526**	**1,206,302**	**267,503**	**2,724,993**	**7,286,511**
(Increase)/Decrease in Unexpired Risk	(124,534)	(158,107)	(52,766)	(160,847)	(70,291)	936,673	370,128
Gross Premium Earned	**1,430,047**	**778,499**	**543,760**	**1,045,455**	**197,212**	**3,661,666**	**7,656,639**
Reinsurance Cost	(32,037)	(162,290)	(155,588)	(178,147)	(44,649)	(2,477,887)	(3,050,598)
Net Premium Earned	**1,398,010**	**616,208**	**388,172**	**867,308**	**152,563**	**1,183,780**	**4,606,041**
Commission Received	485	49,542	37,935	56,362	13,640	323,114	481,079
Total Income	**1,398,496**	**665,751**	**426,107**	**923,670**	**166,203**	**1,506,894**	**5,087,120**
Direct Claims Paid	629,368	397,933	190,793	319,403	31,126	879,392	2,448,014
Incr./(Decr.) in Outstanding Claims	3,559	182,426	(112,149)	65,571	8,834	(177,224)	(28,983)
Gross Claims Incurred	632,927	580,360	78,644	384,974	39,960	702,168	2,419,031
Reinsurance Recovery	(2,866)	(95,791)	(56,423)	(68,204)	(10,429)	(4,134)	(237,847)
Net Claims Incurred	630,061	484,568	22,221	316,770	29,531	698,033	2,181,184
Acquisition Costs	226,717	226,470	145,812	293,751	63,798	52,754	1,009,302
Maintenance Costs	27,444	36,323	16,906	785	6,400	101,712	189,570
Total Expenses	**884,222**	**747,362**	**184,939**	**611,306**	**99,730**	**852,498**	**3,380,056**
Underwriting Profit	**514,274**	**(81,611)**	**241,168**	**312,364**	**66,473**	**654,395**	**1,707,064**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

45. Claim Development Table

Extracts from HR Nigeria Limited Valuation Report

Claims Data

The claims data has six risk groups - Marine, Motor, Casualty, Fire, Personal Accident, Oil and Gas and Workmen Compensation.
The combined claims data for all lines of business between 2007 and 31st December 2015 are summarized in the table below;

Incremental Chain Ladder - Yearly Projections (₦'000)									
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	283,808	218,454	38,771	6,219	1,872	406	1,342	-	-
2008	429,955	216,789	53,176	9,093	4,116	3,691	-	10	-
2009	297,747	387,193	94,475	52,219	13,609	396	7,186	-	-
2010	359,967	442,922	146,487	284,301	1,761	3,850	-	-	-
2011	465,179	400,398	144,759	2,031	25,005	-	-	-	-
2012	405,403	720,365	8,258	181,486	-	-	-	-	-
2013	542,576	137,213	99,547	-	-	-	-	-	-
2014	1,607,857	743,479							
2015	675,762	-	-	-	-	-	-	-	-

Premium Data
The premium data received have been compared with the revenue account as at 31st December, 2015.
This certifies the accuracy of the data used in computing unearned risk premium. The table below presents the distribution of premiums by class of business.

Financial Accounts compared with Gross Premium Date

Class of Business	Gross Premium - Data	Gross Premium - Data
Accident	968,989,010	968,989,010
Engineering	616,819,698	616,819,698
Fire	287,388,472	287,388,472
Marine	967,334,071	967,334,071
Motor	1,442,196,258	1,442,196,258
Oil and Gas	2,849,496,729	2,849,496,729
Total	**7,132,224,238**	**7,132,224,238**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claim Development Table
Basic Chain Ladder Method - Gross Accident
Claims

The claims paid are allocated to claim development years as illustrated below. Of the claims that arose in 2008, ₦107.76 million was paid in 2008 (development year 1), ₦62.61 million in 2009 (development year 2) etc.

Incremental Chain Ladder

Incremental Chain Ladder - Yearly Projections (₦'000)									
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	78,870	51,047	21,990	5,149	1,109	382	1,342	-	
2008	107,762	62,614	20,556	4,291	436	-	-	10	
2009	71,177	74,274	42,344	2,061	2,567	197	899	-	
2010	56,380	75,169	12,276	13,467	805	1,787	-	-	
2011	64,532	83,603	16,555	687	3,155	-	-	-	
2012	134,451	133,618	3,124	7,988	-	-	-	-	
2013	62,941	23,864	19,583	-	-	-	-		
2014	193,012	103,077							
2015	96,443	-	-	-	-	-	-	-	

This table illustrates that **₦107.76 million** of the claims arising were paid in the 2008. At the end of 2009, the total claim payments arising from accidents in 2008 was **₦170.38 million**, this incresed to **₦190.93 million** in 2010 etc.

Cumulative Data

Incremental Chain Ladder - Yearly Projections (₦'000)									
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	78,870	129,917	151,907	157,056	158,165	158,547	159,889	159,889	159,889
2008	107,762	170,377	190,932	195,223	195,658	195,658	195,658	195,668	
2009	71,177	145,451	187,795	189,856	192,423	192,619	193,518	-	
2010	56,380	131,549	143,825	157,292	158,097	159,884	-	-	
2011	64,532	148,135	164,690	165,378	168,533	-	-	-	
2012	134,451	268,069	271,193	279,181	-	-	-	-	
2013	62,941	86,806	106,389	-	-	-	-		
2014	193,012	296,089							
2015	96,443	-	-	-	-	-	-	-	
Loss Dev Factors		1.790	1.126	1.030	1.009	1.003	1.002	1.000	1.000

We then cumulate the data summing up the claims arising from each accident year and arrived at **1.556** in year 1. Similarly, the cummulative ratio of total claims paid at the end of year 3 to 2 is **1.026.**

Projected Table

Cummulative Chain Ladder - Yearly Projections (₦'000)									
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	78,870	129,917	151,907	157,056	158,165	158,547	159,889	159,889	159,889
2008	107,762	170,377	190,932	195,223	195,658	195,658	195,658	195,668	195,668
2009	71,177	145,451	187,795	189,856	192,423	192,619	193,518	193,613	193,613
2010	56,380	131,549	143,825	157,292	158,097	159,884	160,099	160,262	160,262
2011	64,532	148,135	164,690	165,378	168,533	169,099	169,493	169,498	169,498
2012	134,451	268,069	271,193	279,181	281,787	282,733	283,393	283,401	283,401
2013	62,941	86,806	106,389	111,738	112,404	112,519	112,778	112,781	112,781
2014	193,012	296,089	333,480	343,585	346,791	347,956	348,768	348,778	348,778
2015	96,443	172,590	194,386	200,276	202,145	202,824	203,298	203,304	203,304

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claims development Table (Cont'd)

Unwinding the cumulative projections from table above, we expect claims projections to be made till 2020 as follows;

Non - Cumulative Chain Ladder - Yearly Projections (₦'000)									
Accident Year	1	2	3	4	5	6	7	8	9
2007									-
2008									-
2009								95	-
2010							373	5	-
2011						566	395	5	-
2012					2,606	947	660	8	-
2013				5,349	665	115	259	3	-
2014			37,392	10,104	3,207	1,165	812	10	-
2015		76,147	21,796	5,890	1,869	679	473	6	-

From the above table, we illustrate the total expected payment for each future year as follows:

Year	Incremental Amounts
2016	122,528,625
2017	33,911,119
2018	9,876,217
2019	3,301,658
2020	1,494,286
Total	**171,111,905**

Technical Reserves

We present Gross Claims Technical Reserves under Basic Chain Ladder and Inflation Adjusted Chain Ladder.

Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries (₦)	Net Outstanding Claims (N)
Accident	171,601,288	(103,711,655)	67,889,633
Engineering	20,634,951	(8,253,334)	12,381,617
Fire	195,435,054	(126,417,475)	69,017,579
Marine	132,668,759	(35,341,856)	97,326,903
Motor	182,146,103	-	182,146,103
Oil & Energy	266,989,885	(11,245,381)	255,744,504
Total	**969,476,040**	**(284,969,700)**	**684,506,339**
Accounts (Outstanding Claims)	468,152,712	(96,570,197)	371,582,515
Difference	**501,323,328**	**(188,399,503)**	**312,923,824**

* Estimated using Expected loss ratio method

Discounted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	157,630,072	(95,511,606)	62,118,466
Engineering	18,617,751	(7,622,736)	10,995,015
Fire	180,804,058	(117,295,169)	63,508,889
Marine	121,687,750	(32,957,854)	88,729,896
Motor	170,986,993	-	170,986,993
Oil & Energy	240,889,895	(10,146,072)	230,743,823
Total	**890,616,519**	**(263,533,436)**	**627,083,083**
Accounts (Outstanding Claims)	468,152,712	(96,570,197)	371,582,515
Difference	**422,463,807**	**(166,963,239)**	**255,500,568**

* Estimated using Expected loss ratio method

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claims development Table (Cont'd)

Inflation Adjusted Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims (₦)
Accident	189,252,224	(104,214,438)	85,037,786
Engineering	20,634,951	(8,365,071)	12,269,880
Fire	204,325,642	(127,125,603)	77,200,039
Marine	139,141,009	(34,669,901)	104,471,108
Motor	176,428,999	-	176,428,999
Oil & Energy	266,989,885	(11,245,381)	255,744,505
Total	**996,772,709**	**(285,620,393)**	**711,152,317**
Accounts (Outstanding Claims)	468,152,712	(96,570,197)	371,582,515
Difference	**528,619,997**	**(189,050,196)**	**339,569,802**

* Estimated using Expected loss ratio method

Discounted Inflation Adjusted Basic Chain Ladder Method-Discounted

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims (₦)
Accident	175,189,731	(96,099,375)	79,090,356
Engineering	18,617,751	(7,721,979)	10,895,772
Fire	189,091,876	(117,848,796)	71,243,080
Marine	127,221,170	(32,343,601)	94,877,569
Motor	166,152,142	-	166,152,142
Oil & Energy	240,889,895	(10,146,072)	230,743,823
Total	**917,162,565**	**(264,159,823)**	**653,002,742**
Accounts (Outstanding Claims)	468,152,712	(96,570,197)	371,582,515
Difference	**449,009,853**	**(167,589,626)**	**281,420,227**

* Estimated using Expected loss ratio method

We summarise Unearned Premium Reserve (UPR) estimation by class of business below.

Estimated Gross Unearned Premium Reserve (net of reinsurance)

Class of Business	Gross UPR (₦)	Reinsurance UPR (₦)	Net UPR (₦)
Accident	242,528,945	(196,682,227)	45,846,718
Engineering	106,599,706	(57,038,163)	49,561,543
Fire	216,712,075	(136,219,209)	80,492,866
Marine	134,579,055	(124,357,202)	10,221,853
Motor	203,802,724	-	203,802,724
Oil & Energy	1,225,399,180	(1,043,642,139)	181,757,041
Total	**2,129,621,685**	**(1,557,938,940)**	**571,682,745**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claim Development Table (Cont'd)

Cumulative Claims Development Pattern- Motor

	Incremental Chain Ladder - Yearly Projections								
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	161,220	116,717	4,485	311	49	-		-	-
2008	169,900	107,836	13,187	3,384	3,405	800		-	-
2009	181,552	146,736	15,858	801	704	-	1,143	-	-
2010	225,016	122,872	10,143	693	414	551		-	-
2011	292,165	126,133	8,335	670	1,392	-		-	-
2012	209,066	153,520	1,135	28	-	-		-	-
2013	253,325	56,039	11,951	-	-	-		-	-
2014	448,185	151,855							
2015	419,353	-	-	-	-	-		-	-

	Cumulative Chain Ladder- Yearly Projections (N)								
Accident Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2007	161,220	277,936	282,422	282,733	282,782	282,782	282,782	282,782	282,782
2008	169,900	277,736	290,923	294,307	297,712	298,512	298,512	298,512	298,512
2009	181,552	328,289	344,147	344,948	345,652	345,652	346,794	346,794	346,794
2010	225,016	347,888	358,031	358,724	359,138	359,689	359,959	359,959	359,959
2011	292,165	418,298	426,633	427,302	428,694	429,145	429,145	429,145	429,145
2012	209,066	362,585	363,720	363,748	364,530	364,913	364,913	364,913	364,913
2013	253,325	309,364	321,315	330,988	331,700	332,049	332,049	332,049	332,049
2014	448,185	600,040	640,986	642,813	644,195	644,872	644,872	644,872	644,872
2015	419,353	526,023	540,769	542,310	543,476	544,047	544,047	544,047	544,047

Illustrate the accumulation of claims leading to the Ultimate amount that will be paid for each accident year

	Summary of Results				
Accident Year	**Paid to date (₦'000)**	**Total Ultimate**	**Gross Claim Reserve**	**Gross Earned Premium**	**Ultimate Loss Ratio**
2011	428,694	429,145	451	359,448	28%
2012	363,748	364,913	1,165	428,354	24%
2013	321,315	332,049	10,734	365,871	26%
2014	600,040	644,872	44,832	319,410	48%
2015	419,353	544,047	124,694	581,200	48%
Total	**2,133,150**	**2,315,027**	**181,877**	**3,008,261**	

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claim Development Table (Cont'd)

Cumulative Claims Development Pattern- Marine

Accident Year	Incremental Chain Ladder - Yearly Projections (₦'000)								
	1	2	3	4	5	6	7	8	9
2007	12,088	28,812	7,852	60	30,370	6	-	-	-
2008	648	7,468	97	-	-	-	-	-	-
2009	2,312	22,297	338	6,912	-	200	-	-	-
2010	14,527	19,225	9,547	6,423	25	46	-	-	-
2011	35,171	25,574	30,244	190	7,084	-	-	-	-
2012	30,164	116,629	-	491	-	-	-	-	-
2013	32,653	7,113	23,178	-	-	-	-	-	-
2014	142,075	112,097							
2015	44,911	-	-	-	-	-	-	-	-

Accident Years	Incremental Chain Ladder - Yearly Projections (₦)								
	1	2	3	4	5	6	7	8	9
2007	12,088	40,900	48,752	48,811	79	79,188	79,188	79,188	79,188
2008	648	8,116	8,213	8,213	8	8,213	8,213	8,213	8,213
2009	2,312	24,610	24,948	31,860	32	32,059	32,059	32,059	32,059
2010	14,527	33,753	43,300	49,723	49,748	49,794	49,794	49,794	49,794
2011	35,171	60,745	90,989	91,179	98,263	98,410	98,410	98,410	98,410
2012	30,164	146,793	146,793	147,283	150,163	150,387	150,387	150,387	150,387
2013	32,653	39,766	62,944	65,385	66,663	66,763	66,763	66,763	66,763
2014	142,076	254,173	305,237	317,073	323,272	323,754	323,754	323,754	323,754
2015	44,911	79,237	95,156	98,846	100,779	100,929	100,929	100,929	100,929

Accident Year	Summary of Result				
	Paid to date (₦'000)	Total Ultimate	Gross Claim Reserve	Gross Earned Premium	Ultimate Loss Ratio
2011	98,263	98,410	147	600,153	16%
2012	147,283	150,387	3,104	781,685	19%
2013	62,944	66,763	3,819	637,449	10%
2014	254,173	323,754	69,581	544,520	59%
2015	44,911	100,929	56,018	544,040	19%
Total	**607,574**	**740,243**	**132,669**	**3,107,847**	

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claim Development Table (Cont'd)

Cumulative Claims Development Pattern- General Accident

	Incremental Chain Ladder - Yearly Projections (N'000)								
Accident Year	1	2	3	4	5	6	7	8	9
2007	78,870	51,047	21,990	5,149	1,109	382	1,342	-	-
2008	107,762	62,614	20,556	4,291	436	-	-	10	-
2009	71,177	74,274	42,344	2,061	2,567	197	899	-	-
2010	56,380	75,169	12,276	13,467	805	1,787	-	-	-
2011	64,532	83,603	16,555	687	3,155	-	-	-	-
2012	134,451	133,618	3,124	7,988	-	-	-	-	-
2013	62,941	23,864	19,583	-	-	-	-	-	-
2014	193,012	103,077							
2015	96,443		-	-	-	-	-	-	-

	Incremental Chains Ladder - Yearly Projections (N'000)								
Accident Years	1	2	3	4	5	6	7	8	9
2007	78,870	129,917	151,907	157,056	158,165	158,547	159,889	159,889	159,889
2008	107,762	170,377	190,932	195,223	195,658	195,658	195,658	195,668	195,668
2009	71,177	145,451	187,795	189,856	192,423	192,619	193,518	193,613	193,613
2010	56,380	131,549	143,825	157,292	158,097	159,884	160,257	160,262	160,262
2011	64,532	148,135	164,690	165,378	168,533	169,099	169,493	169,498	169,498
2012	134,451	268,069	271,193	279,181	281,787	282,733	283,393	283,401	283,401
2013	62,941	86,806	106,389	111,738	112,404	112,519	112,778	112,781	112,781
2014	193,012	296,088	333,480	343,585	346,791	347,956	348,768	348,778	348,778
2015	96,443	172,590	194,386	200,276	202,145	202,824	203,298	203,304	203,304

	Summary of Result				
Accident Year	Paid to date (₦'000)	Total Ultimate	Gross Claim Reserve	Gross Earned Premium	Ultimate Loss Ratio
2011	168,533	169,498	965	1,055,360	16.1%
2012	279,181	283,401	4,220	1,110,803	25.5%
2013	106,389	112,781	6,392	983,018	11.5%
2014	296,088	348,778	52,690	1,100,796	31.7%
2015	96,443	203,304	106,861	852,668	23.8%
Total	**946,634**	**1,117,762**	**171,128**	**5,102,645**	

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Claim Development Table (Cont'd)

Cummulative Claims Development Pattern: Fire

	Incremental Chain Ladder - Yearly Projections (N'000)								
Accident Year	1	2	3	4	5	6	7	8	9
2007	23,548	14,921	551	495	409	18	-	-	-
2008	145,426	25,404	19,337	1,418	275	2,350	-	-	-
2009	38,671	30,029	7,095	17,130	1,133	-	1,352	-	-
2010	48,683	170,025	14,642	169	404	69	-	-	-
2011	40,147	87,855	14,687	296	1,689	-	-	-	-
2012	34,801	71,849	3,309	1,185	-	-	-	-	-
2013	96,493	28,388	24,664	-	-	-	-	-	-
2014	269,308	209,095	-	-	-	-	-	-	-
2015	99,928	-	-	-	-	-	-	-	-

	Incremental Chains Ladder - Yearly Projections (N'000)								
Accident Years	1	2	3	4	5	6	7	8	9
2007	23,548	38,469	39,019	39,514	39,923	39,941	39,941	39,941	39,941
2008	145,426	170,830	190,167	191,584	191,860	194,210	194,210	194,210	194,210
2009	38,671	68,699	75,794	92,924	94,057	94,057	95,409	95,409	95,409
2010	48,683	218,708	233,350	233,519	233,923	233,993	233,993	233,993	233,993
2011	40,147	128,001	142,688	142,984	144,674	145,304	145,304	145,304	145,304
2012	34,801	106,650	109,959	111,144	111,765	112,251	112,251	112,251	112,251
2013	96,493	124,882	149,546	158,272	158,466	159,156	159,156	159,156	159,156
2014	269,309	478,403	525,496	539,243	542,253	544,615	544,615	544,615	544,615
2015	99,928	191,325	210,158	215,656	216,860	217,805	217,805	217,805	217,805

	Summary of Result				
Accident Year	Paid to date (₦'000)	Total Ultimate	Gross Claim Reserve	Gross Earned Premium	Ultimate Loss Ratio
2011	144,674	145,304	630	605,420	24%
2012	111,144	112,251	1,107	848,644	13%
2013	149,546	159,156	9,610	745,750	21%
2014	595,264	661,475	66,211	869,498	76%
2015	99,928	217,805	117,877	837,841	26%
Total	**1,100,556**	**1,295,991**	**195,435**	**3,907,153**	

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

47. Management of Insurance Risk and Financial Risk

RISK MANAGEMENT PHILOSOPHY AND CULTURE

Our risk management philosophy and culture consist of our shared beliefs, values, attitudes and practices with respect to how we consider risk in everything we do, from strategy development and implementation to every aspect of our day-to-day activities.

"We shall underwrite all profitable transactions that we consider prudent and meets our risk appetite and profile. We shall take calculated and informed risk while seeking to maximize returns and shareholders' value. We shall continuously evaluate the risk and rewards inherent in our business transactions, from strategy development and implementation to our day-today activities. We believe that to achieve this objective would require a good understanding of the risks we are taking and the effective management of these risks both at the individual and enterprise levels".

We therefore manage and control risk by introducing new risk management techniques, enhancing existing risk management practices and placing a greater emphasis on cooperation among departments to comprehensively manage the Company's full range of risks as a whole. The Company proactively formulates strategies and plans that enable the identification and management of events/factors/occurrences that impact our ability to attain our business and strategic objectives.

Risk Management Strategy

The Company adopts the following strategy for managing risks:

I. Establish a clearly defined risk management process for identifying, measuring, controlling, monitoring and reporting risks.
ii. Entrench and incorporate risk management principles in all functions across the Company
iii. Comprehensive implementation and maintenance of our risk management framework
iv. Ensure good corporate governance practices
v. Board and senior management support to promote sound risk management
vi. Zero tolerance for non-compliance with risk and control procedures
vii. Avoid concentration of risk to any industry, market, sector or individual entity.
viii. Deploy a risk management system to facilitate the effective management of risks.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Financial and Insurance Risk Cont'd.

Sovereign Trust Insurance Plc ("STI") issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the company manages them.

Insurance Risk
The risk, under any insurance contract, is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company manages its insurance risk by means of established internal procedures that include underwriting authority levels, pricing policy, approved reinsurers list and monitoring.

STI is exposed to underwriting risk through the insurance contracts that are underwritten. The risks within the underwriting risk category are associated with both the perils covered by the specific lines of insurance including General Accident, Motor, Fire, Marine and Aviation, Oil and Gas and Miscellaneous insurance, as well as the specific processes associated with the conduct of the insurance business. The various subsets of underwriting risks are listed below;

Underwriting Process Risk: risk from exposure to financial losses related to the selection and acceptance of risks to be insured.

Mispricing Risk: risk that insurance premiums will be too low to cover the Company's expenses related to underwriting, claims, claims handling and administration.

Individual Risk: This include the identification of which is the risk inherent in an insured property (movable or unmovable), we shall ensure surveys are performed and reviewed as at when due and that risks are adequately priced.

Claims Risk (for each peril): Risk that many more claims occur than expected or that some claims that occur are much larger than expected claims resulting in unexpected losses to the Company. The underwriting risk assessment shall also determine the likelihood of a claim arising from an insured risk by considering various factors and probabilities, determined by information obtained from the insured party, historical information on similar risks and available external data.

Concentration Risk (including Geographical Risk): This includes identification of the concentration of risks insured by STI. STI utilize data analysis, software and market knowledge to determine the concentration of its risks by insurance class, geographic location, exposure to a client or business. The assessment of the concentration risk is consistent with the overall risk appetite as established by the Company.

Underwriting Risk Appetite
The following statements amongst others shall underpin STI's underwriting risk appetite:

- We do not underwrite risks we do not understand;
- We are cautious in underwriting unquantifiable risks;
- We are extremely cautious in underwriting risk observed to be poorly managed at proposal state e.g. those with low safety standards, shoddy construction or businesses with excessively high risk profile;
- We carefully evaluate businesses or opportunities that could create systemic risk exposures (i.e. incidents of multiple claims occurring from one event e.g. natural

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

catastrophe risks, and risks dependent on the macroeconomic environment);

- We consider all applicable regulatory guidelines while carrying out our underwriting activities;
- We established and adhere to internal standards for co-insurance, reinsurance transactions;
- We exercise extreme caution when underwriting discrete (one-off) risks, particularly where we do not have the requisite experience or know-how;
- Where the broker has inadequate knowledge of the trade of the client or the class of business, we exercise caution in taking on such risks into our books;
- We exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and
- We ensure compliance with NAICOM's guideline on KYC.

UNDERWRITING STRATEGY

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Any risks exceeding the underwriting limits require head office approval. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

PRODUCTS AND SERVICES

Sovereign Trust Insurance Plc is presently operating as a non-life insurance company and we have a wide range of insurance products and services that are tailored to meet the specific needs of the company's clients. Insurance contracts are issued on an annual contract either directly to the customer or through accredited insurance brokers and agents. Premiums from brokers and agents are payable within six months, whereas from direct customers upfront. The following is a broad spectrum of the products and services the company is offering:

FIRE/EXTRANEOUS PERILS POLICY

This type of policy will provide indemnity to the insured in the event of loss or damage to property covered under it as a direct result of fire outbreak, lightning or explosion. Other extraneous perils such as social disturbances like strike and riot, and natural disasters like storm damage, flood and earthquake can also be covered by an extension of the standard scope of the cover. The items to be insured are usually made up of the following:

a) Buildings
b) Office Furniture, Electrical & Electronic Equipment
c) Plant and Machinery
d) Stock of Raw Materials and finished goods
e) Loss of Annual Rent for alternative accommodation.

The policy also contains various other extensions that are granted at no extra cost to the policyholder. The replacement cost of the items to be insured will have to be supplied to us for assessment to facilitate quotation of the premium payable.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

CONSEQUENTIAL LOSS POLICY

This type of policy, often referred to as "business interruption insurance" is designed to indemnify the insured against loss of productive capacity or future earning power which may occur as a result of loss or damage to the premises and property insured under the Fire/Extraneous Perils in 1 above. This policy is normally taken out in conjunction with the Fire Policy so that when the latter pays for the material damage to property insured under it, this will pick up the intangible loss that will flow from the primary loss of the Fire perils. The items usually covered under this policy are as follows:

a) Gross Profit
b) Salary and Wages
c) Auditor's fees

The sum insured to be indicated against the items of Gross Profit should represent the difference in turnover and the total of standing and variable charges. The sum insured on Salary and Wages will be that which is required to maintain some key staff pending resumption of business while the sum insured on Auditor's Fees will represent charges that any firm of accountants will make in preparing papers for insurance claim.

BURGLARY/HOUSEBREAKING POLICY

This type of policy is designed to indemnify the insured against loss or damage resulting from theft or attempted theft which is accompanied by actual forcible or violent entry into or out of the premises or any attempt thereat. The items usually covered under this policy are similar to those under the Fire/Extraneous Perils policy above with the exception of Buildings and Loss of Rent. The replacement cost of the relative items would have to be supplied to enable us submit our quotation.

FIDELITY GUARANTEE POLICY

This is a form of policy that protects an organization against loss of money or valuable stock as a result of dishonesty or fraudulent activity of employees. It is possible to grant cover on named basis, positions basis or on a blanket basis. In any of these cases, the number of persons and the limit of guarantee any one loss would be advised as well as aggregate amount of guarantee in a given year. Once we have this information, we would be in a position to quote for premium payable.

PUBLIC LIABILITY POLICY

This policy also covers the insured against legal liability to third party for cost and expenses incurred in respect of accidental death, bodily injury and accidental damage to property occurring within the insured's premises or at work-away premises. The vicarious liability of the insured's employee can also be covered provided it arose in the course of carrying out his official duties. Please indicate the limit of cover required to enable us advise the premium payable.

MONEY POLICY

This is another type of All Risks policy which is designed to cover any fortuitous event that could result in the loss of cash while in the course of transit either to or from the bank. The cover will also operate while the money is on the premises of the insured and while in a securely locked safe. The policy can also be extended to cover cash in the personal custody of selected management staff.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

GOODS IN TRANSIT POLICY
This is also an "All Risks" policy covering goods being carried from one location to another. Any loss not specifically excluded under the policy is covered and the insurance is suitable for any organization that is engaged in movement of goods either by road or rail and the cover will operate when the goods are being conveyed by the insured's owned or hired vehicles. Losses arising from Fire and Theft are covered under this policy.

GROUP PERSONAL ACCIDENT POLICY
This type of policy is designed to foster the welfare of employees as well as reduce the financial strain that an organization could undergo in the event of death or bodily injury to a member of staff arising as a result of any injury sustained through accidental, violent, external and visible means. The policy provides a world-wide cover on 24 hours basis and benefits payable in respect of Death and Permanent Disability are usually expressed as multiple of salaries. Cover also extends to pay weekly benefit in the event of temporary total disability resulting from bodily injury to the insured person as well as certain allowance for expenses incurred on medical treatment as a result of accidental injury. Death or injuries from natural causes are however not covered.

MOTOR INSURANCE POLICY
This class of insurance is made compulsory by Government through the legislation known as the Motor Vehicle (Third Party) Insurance Act of 1945. Third Party Only cover which is the minimum type of insurance legislated upon provides indemnity to policyholder against legal liability to Third Parties for death, bodily injury and property damage.
The most popular type of cover under this policy is comprehensive insurance which, in addition to the cover provided under the Third Party Only, will also indemnify the policyholder for loss or damage to the vehicle resulting from road accident, fire and theft. The premium payable for the various forms of cover under this policy is regulated by a statistical table of rate known as "tariff" which is approved by Government.

MARINE POLICIES
CARGO: The policy issued here is to provide indemnity for loss or damage to imported goods being conveyed by sea or air. The All Risks type of cover known as Clauses "A" provides indemnity to the insured in the event of total or partial loss of the goods while the restricted cover known as Clauses "C" would provide indemnity in the event of total loss only. To enable us determine the premium payable in this regard, we would require information on the nature and value of goods being imported as well as the type of cover required.
HULL: This type of policy is issued on vessels and yachts to provide indemnity for any loss, damage or liability that may arise from their use. The scope of cover provided is either an "all risks" or "total loss only" while the policy usually carries a deductible of about 10% of the value of the vessel or yacht.

AVIATION POLICY
This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a certain limit selected. In order to ensure full protection for our clients, we reinsure as much as 70% of this type of risk in the London Aviation Market through one of our overseas associates. The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

MACHINERY BREAKDOWN POLICY
This policy is designed to cover any damage to a plant or equipment while working or at rest, or

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

being dismantled for the purpose of cleaning, repairing or overhauling. In the same vein, boiler and pressure vessels can be covered under a separate but similar policy.

ELECTRONIC EQUIPMENT POLICY
This policy is designed to cover any loss or damage that could result while any computer and or equipment insured is working or at rest. The cover under this policy also extends to include loss or damage to external data media such as diskettes and tapes containing processed information while such are kept within the premises. The increase in cost of working, as a result of damage to the main computer equipment, is also covered and indemnity is provided for alternative means of carrying on operation. With payment of an additional premium, this policy can be extended to cover the risk of theft.

ENERGY RISKS
The policies on offer in this area have been specifically developed to take advantage of the insurance opportunities created by the Nigerian Content Policy. The Nigerian content policy is aimed at utilizing Nigerian human and material resources in creating values in the country through all contracts awarded in the Oil and Gas industry and the Power sector of the economy. Sovereign Trust Insurance Plc has carved a niche as the Leader in provision of Oil & Gas and Energy Insurance in Nigeria.

Our focus is on the following areas:

- Upstream Risks which includes Construction/Erection All Risks, Operators Extra Expense Insurance, Property Insurance and General Third Party Liability Insurance.

- Downstream Risks which includes the downstream properties (Refineries and Petrochemical plants, Onshore pipelines, Oil tank farm, Gas processing plants, Pumping and Metering stations, Gas turbines and Boilers, Damage to Asset and other related downstream sector risks.

- Power, Solid Mineral and Other special products.

The above products have been packaged for marketing to the public sector as well as various manufacturing, industrial and commercial concerns. Financial institutions such as banks, mortgage and stock broking firms are also being offered these products. Our company is innovative in approach and we specialize in packaging policies in line with the needs of the various segments of the economy. Sovereign Trust Insurance Plc also provides comprehensive risk management services. The company carries out various risk surveys and make appropriate recommendations towards risk improvement and minimization of loss impacts.

APPROACH TO MANAGEMENT OF UNDERWRITING RISKS
The Company's underwriting risk shall be managed by adhering to policies, principles and guidelines spelt out in the Annual Underwriting Plan.

Where the broker has inadequate knowledge of the trade of the client or the class of business and the client not willing to disclose such information, the Company shall exercise caution in taking on such risks.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

The Company shall exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and The Company shall ensure compliance with the National Insurance Commission's guidelines on "Know Your Customer" (KYC) requirement to get enough information about the transaction.

The company carries out timely pre-loss inspection/survey exercise of risks, preferably before commencement of cover but not later than 48 hours after commencement of risks.

We limit acceptance of risks to a more convenient value/share while spreading excess through co-insurance or facultative basis.

We ensure application/introduction/review of policy terms and conditions including clauses/warranties that will deal with areas of concern which will at the end of the day make the risk worthy of being in the company's portfolio.

RISK ACCEPTANCE RULES

The company shall follow the provisions (terms and conditions) of the reinsurance treaties that were arranged for the classes of insurance that any risk offered for insurance falls under in deciding whether to accept the risk or not. This shall be the situation on all cases where the sum insured of the risk is more than the company's retention as contained and evidenced by the treaty cover notes.

For any risk that Reinsurance Treaty could not be arranged for, acceptance of such risks shall be limited to any limit set by the company for such risks at the beginning of each year and shown in the underwriting plan.

ENERGY INSURANCE RISKS

No risks relating to the special covers in (as different from the standard covers) Energy, Oil and Gas shall be accepted without clarification from the Head of Energy Department or Head of Branch Operations Department (for risks coming from the Branch/Area/Agency offices).

MARINE INSURANCE RISKS

No Marine insurance risk (Hull or Cargo), Marine Cargo or any other special risks of different nature but relating to Marine Insurance E.G. Marine Cargo Insurance export, shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments. The company shall not accept Marine Cargo business in respect of fish head risks whether as import or export. Where it must be covered for any reason, cover shall be limited to ICC "C" and on rate of premium of a minimum of 0.20%.

AVIATION RISKS

No Aviation risk, Marine Hull risk, Marine Cargo export and any other special risks of different nature shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments.

Approaches to Risk Mitigation

Generally, we shall apply any of the following four (4) approaches to risk mitigations:

a) Risk Termination (Avoidance)

Under the risk termination approach, we will take measures to avoid risks that are outside our risk appetite, not aligned to our strategy or offer rewards that are unattractive when compared to the risk undertaken. Specifically, we will discontinue activities that generate these risks, such as divesting from certain geographical markets, product lines or businesses. Generally, we will utilize this approach for high-risk events that remain unacceptably high even after we have applied controls.

b) Risk Treatment (Reduction)

Under the risk treatment approach, we would accept the risks inherent in our transactions, but

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

shall take measures, through our system of internal controls, to reduce the likelihood and/or impact of these risks. Generally, we would utilise this approach for risks that occur frequently and have low impact. Some of the measures we shall take under this approach may include formulating or enhancing policies, defining boundaries and authority limits, assigning accountabilities and measuring performance, improving processes, strengthening existing controls or implementing new controls and continuing education and training.

c) Risk Transfer (Sharing)
Under the risk transfer approach, we would accept the risks inherent in our transactions, but shall take measures to transfer whole or portions of the risk to an independent counterparty. Specifically, we shall transfer our risks to an independent counterparty such as co-insurance and reinsurance companies by utilising contracts and arrangements. We will retain accountability for the outsourced risk and that outsourcing does not eliminate risk but only changes our risk profile. The relevant business units shall be responsible for identifying and incorporating the risks arising from such risk transfer arrangements in their risk registers. The business units shall also be responsible for managing the resultant risks and reviewing the risk transfer arrangement to ensure that it is still capable of mitigating the initial risk.

d) Risk Tolerance (Acceptance)
Under the risk tolerance approach, we would accept the risks inherent in our transactions and would not take any action to change the likelihood and/or impact of the risks. We shall adopt this approach where the risk is low and the cost of further managing the risk exceeds the potential benefit should the risk crystallize.

e) Reinsurance Treaty Cover
We have arranged very adequate reinsurance treaties to enable us accommodate large risk. Our treaties are arranged by UAIB and JLTRE with consortium of reputable reinsurance companies.

The types of re-insurance arrangement on Sovereign Trust Treaty are:
1) Quota share
2) Surplus
3) Excess of loss

1) Quota share
This is the simplest type of Re-insurance whereby a Reinsurer agrees to reinsure a fixed proportion of every risk accepted by the ceding company, sharing proportionately in all losses and receiving in the same proportion of all direct net premium, less the agreed reinsurance commission.

2) Surplus
Under this arrangement the ceding company can retain a risk up to the level of its agreed Retention amount. The proportion of the risk which is beyond the Retention amount is the ceded into the Surplus treaty and reinsurer receives a proportionate share of the premium, less reinsurance commission.

3) Excess of Loss
This arrangement protects the ceding company against a loss where the ceding company's claims liability exceeds its retention.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Concentration of Insurance Risk

The Company monitors concentrations of insurance risk by product and sector. An analysis of concentrations of insurance risk at 31 December 2015 and 2014 for Gross Premiums written is set out below:

(a) By product	**31 Dec.2015**	31 Dec.2014
	₦'000	₦'000
Motor business	**1,521,664**	1,554,581
Fire & Property	**916,773**	936,605
Marine & Aviation	**583,895**	596,526
General Accident	**1,180,759**	1,206,302
C.A.R & Engineering	**261,839**	267,503
Energy business	**2,667,293**	2,724,993
	7,132,224	7,286,511

(b) By sector	**31 Dec.2015**	31 Dec.2014
	₦'000	₦'000
Energy	**4,493,766**	4,590,977
Financial Services	**458,541**	468,460
IT/Telecoms & Other Corp.	**875,541**	894,481
Manufacturing	**507,670**	507,670
Public Sector	**496,920**	426,441
Retail	**390,004**	398,482
	7,132,224	7,286,511

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Financial Risk Management

Sovereign Trust Insurance Plc operates in a highly complex and competitive environment driven by the need to meet all claim obligations, maximize returns to shareholders and comply with all statutory and regulatory requirements. The Company is in the business of managing risks for public and private entities as well as individuals. In the ordinary course of its business activities, the Company is exposed to a variety of financial risks, including currency risk, liquidity risk, credit risk, country risk and market risk as well as operational and compliance risks.

Risk is the level of exposure to opportunity, threat and uncertainty – that should be identified, understood, measured and effectively managed, in the course of executing the Company's business strategies. In terms of opportunity, we see risk in relation to returns in that the greater the risk, the greater the potential return. We therefore manage risk by using several methods to maximize the positive aspects within the constraints of our risk appetite and business environment.

In terms of threat, we see risk as the potential for the occurrence of negative events such as financial loss, fraud, damage to reputation or public image and loss of competitive advantage. We therefore manage risk in this context by introducing risk management techniques to reduce the probability of these negative events occurring without incurring excessive costs or stifling the initiative, innovation, and entrepreneurial flair of our staff.

In terms of uncertainty, we see risk as the distribution of all possible outcomes both positive and negative. In this context, we manage uncertainty by seeking to reduce the variance between anticipated outcomes and actual results.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Short-term insurance contracts

For short-term insurance contracts, the Company funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk.

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short-term insurance contracts.

At 31 December 2015	Carrying amount	No stated maturity	0-90 days	91-180 days	180-365 days	1 - 2 years	> 2 years
Financial Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash & cash equivalents	2,582,695		2,582,695				
Loans and Receivables:							
- Trade receivables	115,751	-	115,751	-	-	-	-
- Loan & receivables	72,929	-	-	-	72,929	-	-
Debt securities	164,086	-	-	-	-	-	164,086
Equity securities							
- quoted	233,606	233,606	-	-	-	-	-
- unquoted	127,974	127,974	-	-	-	-	-
	3,297,041	**361,580**	**2,698,446**	**-**	**72,929**	**-**	**164,086**
Insurance Liabilities							
Outstanding Claims Reserve	917,163	-	917,163				
Less assets arising from reinsurance	-	-	-	-			
	917,163	**-**	**917,163**	**-**			

At 31 December 2014	Carrying amount	No stated maturity	0-90 days	91-180 days	180-365 days	1 - 2 years	> 2 years
Financial Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash & cash equivalents	2,236,083		2,236,083				
Loans and Receivables:							
- Trade receivables	57,551	-	57,551		-	-	-
- Loan & receivables	187,164	-	-	-	187,164	-	-
Debt securities	40,000	-	-	-	-	-	40,000
Equity securities							
- quoted	320,550	320,550	-	-	-	-	-
- unquoted	123,418	123,418	-	-	-	-	-
	2,964,766	**443,968**	**2,293,634**	**-**	**187,164**	**-**	**40,000**
Insurance Liabilities							
Outstanding Claims Reserve	1,083,973	-	1,083,973				
Less assets arising from reinsurance	-	-	-	-			
	1,083,973	**-**	**1,083,973**	**-**			

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

(a) Sensitivity analysis - Interest-Rate Risk

31 December 2015 (₦'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalents	2,582,695	1,587,815	-	994,880
Trade receivables	115,751	-	-	115,751
Loans and receivables	72,929	-	-	72,929
Reinsurance assets	1,822,099	-	-	1,822,099
Debt securities	164,086	164,086	-	
	4,757,560	**1,751,901**	**-**	**3,005,659**
Liabilities				
Non-life insurance liability	3,046,784	-	-	3,046,784
Trade creditors & other liabilities	433,319	-	-	433,319
Debt security in issue	531,976	531,976	-	
	4,012,079	**531,976**	**-**	**3,480,103**

31 December 2014 (N'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalents	2,236,083	1,605,550	-	630,533
Trade receivables	57,551	-	-	57,551
Loans and receivables	187,164	-	-	187,164
Reinsurance assets	2,011,841	-	-	2,011,841
Debt securities	40,000	40,000	-	
	4,532,639	**1,645,550**	**-**	**2,887,089**
Liabilities				
Non-life insurance liability	3,073,723	-	-	3,073,723
Trade creditors & other liabilities	178,052	-	-	178,052
Debt security in issue	806,590	806,590	-	
	4,058,365	**806,590**	**-**	**3,251,775**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

The impact on the Company's profit before tax if interest rates on financial instruments held at amortised cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant are considered insignificant. This is due to the short term nature of the majority of the financial assets measured at amortised cost.

(b) Sensitivity analysis - equity risk

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements by assessing the expected changes in the different portfolios due to parallel movements of a 1% increase or decrease in the Nigeria All share index with all other variables held constant and all the Company's equity instruments in that particular index moving proportionally.

As at 31 December 2015, the market value of quoted securities held by the Company is N 233 million (2014: N 320 million).

The Company holds a number of investments in unquoted securities with a market value of N 127 million as at 31 December 2015 (2014: N 123 million) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at N 63 million (cost N 49 million) (2014: N 63 million, cost N 49 million) as at 31 December 2014. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

(c) Sensitivity analysis - currency risk

31 December 2015 (₦'000)

Assets	**Naira**	**USD**	**Yen**	**Euro**	**Total**
Cash and cash equivalent	2,436,996	145,071		628	2,582,695
Insurance receivables	115,751				115,751
Loan and Receivables	72,929				72,929
Reinsurance assets	1,822,099				1,822,099
Investment securities	-				-
	4,447,775	**145,071**		**628**	**4,593,474**
Liabilities					
Non-life insurance liability	3,046,784	-	-		3,046,784
Trade creditors & other liabilities	433,319	-	-		433,319
Debt security in issue		-	531,976		531,976
	3,480,103	**-**	**531,976**		**4,012,079**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

31 December 2014 (₦'000)

Assets	**Naira**	**USD**	**Yen**	**Euro**	**Total**
Cash and cash equivalent	1,563,688	672,395		8,661	2,236,083
Insurance receivables	57,551				57,551
Loan and Receivables	187,164				187,164
Reinsurance assets	2,011,841				2,011,841
Investment securities	63,315				63,315
	3,883,559	**672,395**		**8,661**	**4,564,615**
Liabilities					
Non-life insurance liability	3,073,723	-	-		3,073,723
Trade creditors & other liabilities	178,052	-	-		178,052
Debt security in issue	-	-	806,590		806,590
	3,251,775	**-**	**806,590**		**4,058,365**

The Company exposure to foreign currency risk is largely concentrated in the Japanese Yen. Movement in the exchange rate between the Japanese Yen and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalued amounts of assets and liabilities denominated in Japanese Yen.

The table below shows the impact on the Company's profit and balance sheet size if the exchange rate between the Japanese Yen and the Nigerian Naira had increased or decreased by 10% with all other variables held constant.

	2015	2014
Effect of 10% movement on profit b/4 tax and fin. position size (N'000)	**53,198**	**80,659**

Credit Risk

The Company's assets are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. The main sources of the Company's incoming cash flow are the amounts of receivables from insured and reinsurers. The Company manages the credit risk arising from such sources by aging and monitoring the receivables. The Company conducts the review of current and non-current receivables on a monthly basis and monitors the progress in the process of collection of the premiums in accordance with the procedure stated in the Company's internal control policy. The non-current receivables are checked and assessed for impairment.

The overdue premiums are considered by the Company on case by case basis. If an overdue premium is recognised by the Company as uncollectible, a notification is sent to the policyholder

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

and the insurance agreement is cancelled from the date of notification.

The premium related to the period from the beginning of insurance cover until the date of cancellation of the insurance agreement is considered a bad debt, and further steps right up to legal actions are planned with regard to that bad debt.

Other areas where the Company is exposed to credit risk are:

- amounts due from reinsurers for the insurance risks ceded;
- amounts due from insurance intermediaries.
- amounts due from insured
- amounts of deposits held in banks and correspondent accounts

STI is exposed to the following categories of credit risk.
Direct Default Risk - risk that STI will not receive the cash flows or assets to which it is entitled because brokers, clients and other debtors which STI has a bilateral contract defaults on their obligations.

Concentration Risk – is the exposure to losses due to excessive concentration of business activities to individual counterparties, groups of individual counterparties or related entities, counterparties in specific geographical locations, industry sectors, specific products, etc.

Counterparty Risk - the risk that a counterparty is not able or willing to meet its financial obligations to the Company as they fall due.

Credit Risk Principles
The following principles underpin the Company's credit risk management policies:

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;
- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by the Board;
- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and that credit control procedures for managing large exposures and related counterparties are adhered to;
- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the company;

- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

- Sufficient capital as a buffer is available to take credit risk;

The Company's credit risk appetite shall be in line with its strategic objectives and available resources. In setting this appetite/tolerance limits, STI takes into consideration its corporate solvency level, risk capital and liquidity level , credit ratings, level of investments, reinsurance and coinsurance arrangements, and nature and categories of its clients.

In setting the credit limit, a few conditions were put into consideration and these actually assisted in the selection of the brokers that made this list. From the records available for this purpose, the conditions used as yardstick are as follows: 1. Speed of payment; 2. Relationship management; 3. Volume of business and 4. Size of the accounts

From the above conditions, the few Insurance Brokers identified have been categorized into three (3) groups namely A, B and C.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Maximum exposure	
	31-Dec 2015 ₦'000	31-Dec 2014 ₦'000
Cash and cash equivalents	**2,582,695**	2,236,083
- Trade receivables	**115,751**	57,551
- Loans & receivables	**72,929**	187,164
Reinsurance assets	**1,822,099**	2,011,841
Debt securities	**164,086**	40,000
Total assets bearing credit risk	**4,757,560**	4,532,639

Concentration of credit risk

STI monitors concentration of credit risk by geographical location. An analysis of concentrations of credit risk for insurance receivables and reinsurance assets are set out below:

(a) Geographical sectors

At 31 December 2015 (₦'000)	**Insurance receivables**	**Total**
Lagos	**83,287**	**83,287**
West	**3,545**	**3,545**
North	**19,665**	**19,665**
East	**9,254**	**9,254**
	115,751	**115,751**

At 31 December 2014 (N'000)	**Insurance receivables**	**Total**
Lagos	**41,410**	**41,410**
West	**1.763**	**1.763**
North	**9,777**	**9,777**
East	**4,601**	**4,601**
	57,551	**57,551**

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Credit quality 31 December 2015 (N'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities			164,086				**164,086**
Reinsurance assets						1,822,099	**1,822,099**
Loans &receivables						72,929	**72,929**
Cash & cash equivalent						2,582,695	**2,582,695**
	-	-	**164,086**	-	-	**4,477,723**	**4,641,809**

			Category A	Category B	Category C	Not categ	Total
Trade receivables			115,751	-	-	-	115,751

Credit quality 31 December 2014 (N'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities			40,000				**40,000**
Reinsurance assets						2,011,841	**2,011,841**
Loans &receivables						187,164	**187,164**
Cash & cash equivalent						2,236,083	**2,236,083**
	-	-	**40,000**	-	-	**4,435,088**	**4,475,088**

			Category A	Category B	Category C	Not categ	Total
Trade receivables			57,551	-	-	-	57,551

Credit quality 31 December 2013 (N'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities			30,000				30,000
Reinsurance assets						2,652,288	2,652,288
Loans &receivables						53,968	53,968
Cash & cash equivalent						1,932,889	1,932,889
	-	-	30,000	-	-	4,630,145	4,660,145

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

Liquidity Risk

Liquidity risk is the inability of a company to meet obligations on a timely basis. It is also the inability of a company to take advantage of business opportunities and sustain the growth target in its business strategy due to liquidity constraints or difficulty in obtaining funding at a reasonable cost. Our liquidity risk exposure is strongly related to our credit and investment risk profile. The Company is exposed to daily calls on its available cash resources from claims to be paid. At 31 December 2011, management does not believe the current maturity profile of the Company lends itself to any material liquidity risk, taking into account the level of cash and deposits and the nature of its securities portfolio at year end, as well as the reinsurance structure of the Company's insurance portfolio. The Company's bank deposits and trading securities are able to be released at short notice when and if required. The possible payments of significant insurance claims are secured by the reinsurance contracts' clause that allows a cash call from the reinsurers for the losses exceeding a certain amount based on line of business.

Sources of Liquidity Risk

Our liquidity risk exposure depends on the occurrence of other risks. Some of the factors that could lead to liquidity risks are:

- Reputational loss or rating downgrade, leading to inability to generate funds;
- Failure of insurance brokers and clients to meet their premium payment obligation as and when due;
- Lack of timely communication between Finance &Investment Division and Claims Department resulting in mismatch of funds;
- Investment in volatile securities; and
- Frequency and severity of major and catastrophic claims.

Liquidity Risk Management Strategy

The Company's strategy for managing liquidity risks are as follows:

Maintain a good and optimum balance between having sufficient stock of liquid assets, profitability and investment needs;

- Ensure strict credit control and an effective management of account receivables;
- Ensure unrestricted access to financial markets to raise funds;
- Develop and continuously update the contingency funding plan;
- Adhere to the liquidity risk control limits; and
- Communicate to all relevant staff on the liquidity risk management objectives and control limits.

Liquidity Risk Appetite/Tolerance

Our liquidity risk appetite is defined using the following parameters:

- Liquidity gap limits;
- Scenario and Sensitivity Analysis
- Liquidity Ratios such as:
  - Claims ratio
  - Cash ratio
  - Quick ratio
  - Receivable to capital ratio
  - Technical provision to capital ratio
  - Maximum exposure for single risk to capital ratio
  - Maximum exposure for a single event to capital ratio
  - Retention rate
  - Re-insurance receipts to ceded premium ratio
  - Solvency margin

The table below presents the cash flows payable by the company. The amounts disclosed in the table are the contractual undiscounted cash flows. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
		Payments due by period as of 31 December 2015				
Debt security in issue	**531,976**				531,976	531,976
Other liabilities	**433,319**	433,319				433,319
	965,295	433,319		-	531,976	965,295

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
		Payments due by period as of 31 December 2014				
Debt security in issue	806,590				806,590	806,590
Other liabilities	178,052	178,052				178,052
	984,642	178,052	-	-	806,590	984,642

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
		Payments due by period as of 31 December 2013				
Debt security in issue	1,066,897				1,066,897	1,066,897
Other liabilities	256,896	256,896				256,896
	1,323,792	256,896	-	-	1,066,897	1,323,792

32.3 Fair value of financial assets and liabilities

(a) Financial Instrument not measured at fair value

	At 31 December 2014		At 31 December 2014	
	Carrying Value ₦'000	**Fair Value ₦'000**	Carrying Value ₦'000	Fair value ₦'000
Financial assets				
Cash and bank balances	**2,582,695**	**2,582,695**	2,236,083	2,236,083
Investment securities:				
Debt securities	**164,086**	**164,086**	40,000	40,000
Trade receivables	**115,751**	**115,751**	57,551	58,551
Other loans and receivables	**72,929**	**72,929**	178,052	178,052
	2,935,460	**2,935,460**	2,512,686	2,512,686
Financial liabilities				
Convertible bond	**531,976**	**531,976**	806,590	806,590
Other liabilities	**433,318**	**433,318**	178,052	178,052
	965,294	**965,294**	984,642	984,642

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

(b) Financial Instruments measured at Fair Value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

At 31 December 2015 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	233,606	-	-	233,606
Unquoted equity investments	-	127,974	-	127,974
Debt securities	164,086	-	-	164,086
	397,692	**127,974**	**-**	**525,666**
At 31 December 2014 (₦'000)				
Financial assets				
Quoted equity investments	320,550	-	-	320,550
Unquoted equity investments	-	123,418	-	123,418
Debt securities	40,000	-	-	40,000
	360,550	123,418	-	483,968
At 31 December 2013 (₦'000)				
Financial assets				
Quoted equity investments	420,560	-	-	420,560
Unquoted equity investments	-	103,520	-	103,520
Debt securities	30,000			30,000
	450,560	103,520	-	554,080

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Management of Insurance Risk and Financial Risk Cont'd.

There were no gains or losses for the period included in profit or loss arising from Level 3 items.

Sensitivity analysis of Level 3 items

The following table shows the sensitivity of level 3 measurements to reasonably possible alternative assumptions.

The sensitivity analysis was determined based on 5% increase or decrease in profit of the investee company under normal operating conditions with all other variables held constant.

(c) Fair Valuation Methods and Assumptions

(i) Cash and Bank Balances

Cash and bank balances represent cash held with other banks. The fair value of these balances is their carrying amounts.

(ii) Equity Securities

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical assets. The fair value of the unquoted equity securities was determined on a net asset value basis, except for the investment in MTN Nigeria which was fair valued with reference to prices from the over-the-counter market.

(iii) Debt Securities

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Company operates. The fair value of treasury bills and bonds at fair value are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of bonds (asset or liability) at amortised cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Other Assets

Other assets represent monetary assets which usually have a short recycle period and as such the fair values of these balances approximate their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

48. Capital Management Policies

Capital Management

STI has over the years been deploying capital from earnings and additional equity funds to support growth in business volumes while striving to meet dividend commitments to shareholders. To be able to continue to generate and deploy capital both to grow core businesses and reward shareholders, there is need for the Company to execute the right strategy, the right growth dynamics, the right cost structure and risk discipline as well as the right capital management.

STI's capital management strategy focus on the creation of shareholders' value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfies regulators.

The Company's objectives when managing capital are as follows:

1.To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;

2.To generate sufficient capital to support the Company's overall business strategy;

3.To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board;

4.To ensure that the average return on capital over a 3 -5 years performance cycle is sufficient to satisfy the expectations of investors;

5.To maintain a strong risk rating;

6.To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital;

7.To determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses (i.e. capital allocation);

8.To establish the efficiency of capital utilization.

Solvency Margin

The Company complied with the minimum capital requirement of N3 billion for non-life operations. This is shown under Shareholders' Fund in the Statement of Financial Position.
Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model. NAICOM generally expect non-life insurers to comply with this capital adequacy requirement.

Section 24 of the Insurance Act 2003 defines Solvency margin of a Non-life insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of Net Premium Income (Gross Premium Income less re-insurance premium paid) or the minimum capital base (N3 billion) whichever is higher.

The Company is solvent by of N4,231,913,000 as shown in the solvency margin computation.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Capital Management Policies Cont'd.

This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%.

		2015
ADMISSIBLE ASSETS		**₦'000**
Cash and cash equivalents		2,582,695
Available for sale		459,283
Fair Value Through Profit or Loss		233,606
Held to Maturity		164,086
Loan and Receivables		39,830
Reinsurance Assets		1,822,099
Trade Receivable		115,751
Deferred Acquisition Cost		567,819
Staff debtors		6,111
Investment in Associate		58,104
Investment Property		1,264,822
Property, Plant & Equipment		842,381
Statutory Deposits		315,000
	A	8,471,587
ADMISSIBLE LIABILITIES		
Insurance Liabilities		3,046,784
Debt Securities		531,976
Trade payables		313,403
Other Payables & Accruals		119,916
Retirement Benefit Obligations		210,488
Taxation		17,108
	B	4,239,674
Actual Solvency (A - B)	C	4,231,913
Net Premium		3,934,235
Solvency Margin		
Limit of Net premium i.e. 15% of Net Premium		590,135
Minimum of paid up Capital -	D	3,000,000
Since C>D - Solvency Margin - (C-D)		1,231,913
Percentage of solvency		41

STATEMENT OF VALUE ADDED

	2015 ₦'000	%	2014 ₦'000	%
Gross Premium Written:				
Local	**7,132,224**		7,286,511	
Foreign	**-**		-	
Other Income:				
Local	**79,747**		112,981	
Foreign	**-**		-	
	7,211,971		7,399,492	
Bought in Material and Services:				
Local	**(5,868,653)**		(6,257,970)	
Foreign				
Value Added	**1,343,318**	**100**	1,141,522	100
Applied as follows:				
Employees				
Salaries and other employees benefits	**761,648**	**56.70**	740,040	64.83
Provider of Capital				
Non Minority Interest	**-**	**-**	-	-
Government				
Taxation	**(127,363)**	**(9.48)**	31,078	2.72
Retention and Expansion				
Depreciation	**94,913**	**7.07**	89,729	7.86
Contigency reserves	**213,967**	**15.93**	218,595	19.15
Retained profits for the year	**400,153**	**29.79**	62,081	5.44
Value Added	**1,343,318**	**100.00**	1,141,522	100.00

Value added represents the additional wealth the company has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the future creation of more wealth.

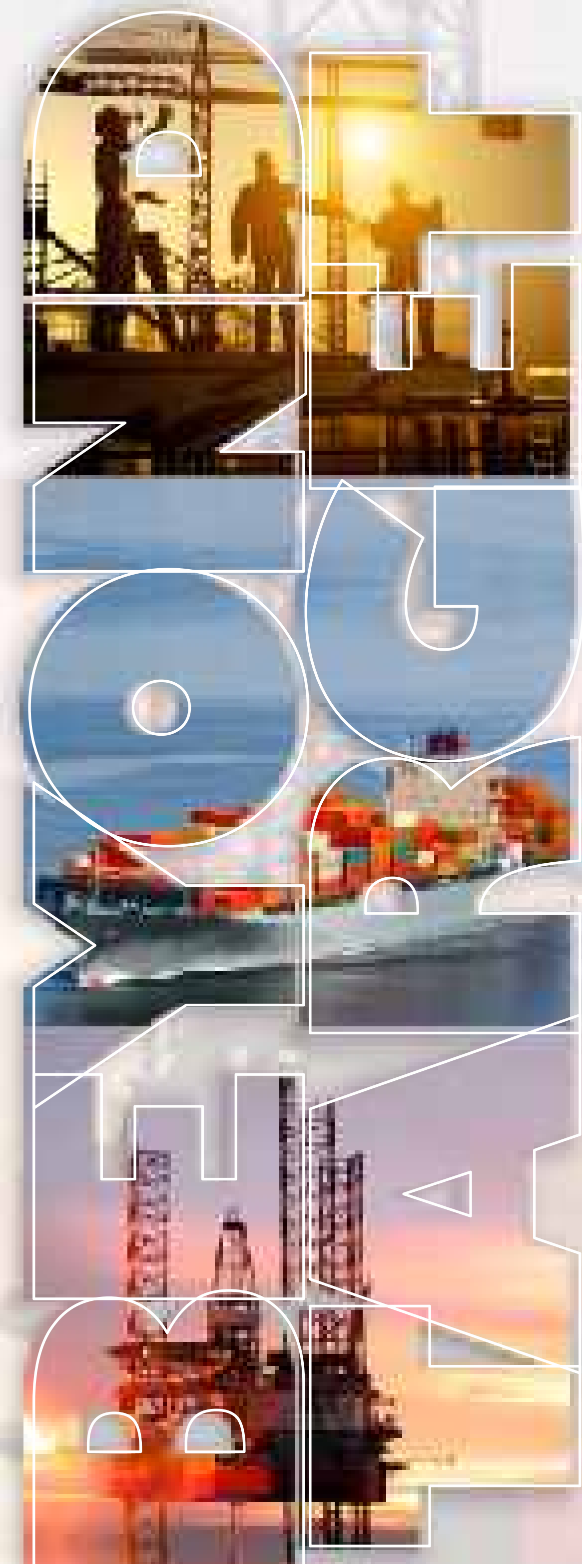
FINANCIAL SUMMARY

	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Assets	**₦'000**	₦'000	₦'000	₦'000	₦'000
Cash and Cash Equivalents	**2,582,695**	2,236,083	1,932,889	1,166,795	1,431,579
Trade Receivable	**115,751**	57,551	98,328	1,149,175	561,045
Reinsurance Assets	**1,822,099**	2,011,841	2,652,287	1,322,312	851,332
Deferred Acquisition Cost	**567,819**	568,819	548,295	541,467	266,962
Financial Assets	**929,904**	876,957	1,011,267	917,287	1,151,291
Investment Properties	**1,358,254**	1,339,084	1,222,022	1,053,030	860,311
Property and Equipment	**842,381**	783,098	548,586	552,747	583,310
Other Receivables and Prepayments	**430,493**	158,710	184,957	95,421	84,677
Statutory Deposit	**315,000**	315,000	315,000	315,000	315,000
Intangible assets	**29,424**	25,775	6,201	-	-
Investment in Associate	**58,104**	49,202	50,255	-	-
Deferred tax assets	**212,945**	80,725	79,207	-	-
Total Assets	**9,264,870**	8,492,845	8,649,295	7,113,234	6,105,507
Liabilities					
Trade Payables	**313,403**	140,147	177,238	250,559	171,892
Other Payables and Accruals	**119,916**	37,905	79,657	42,140	64,129
Book Overdraft			-	-	24,925
Current Tax Payable	**17,108**	32,937	32,732	127,506	83,475
Deferred Tax Liability			-	35,183	57,935
Retirement Benefit Obligations	**210,488**	240,689	336,442	271,641	229,651
Insurance Contract Liabilities	**3,046,784**	3,073,723	3,472,833	2,239,625	1,970,949
Debt Security in Issue	**531,976**	806,590	1,066,897	1,007,775	1,523,877
Total liabilities	**4,239,674**	4,331,991	5,165,799	3,974,430	4,126,833
Net Assets	**5,025,196**	4,170,854	3,483,497	3,138,805	1,978,675
Equity					
Issued Share Capital	**4,146,052**	3,435,879	3,435,879	3,435,879	3,435,879
Share Premium	**116,843**	116,843	116,843	116,843	145,763
Available-For-Sale Reserve	**1,171**	13,416	27,018	(460)	2,898
Contingency Reserve	**1,885,194**	1,671,227	1,452,632	1,192,422	960,138
Retained Earnings	**(1,124,065)**	(1,486,794)	(1,548,875)	(1,605,880)	(2,566,003)
Deposit for shares	**-**	410,284	-	-	-
Shareholders' Fund	**5,025,196**	4,170,854	3,483,496	3,138,804	1,978,675
Gross Premium Written	**7,132,224**	7,286,511	8,673,676	7,742,785	6,407,713
Gross premiums income	**6,992,353**	7,656,639	7,437,639	7,502,203	6,173,285
Net underwriting income	**4,345,697**	5,087,120	4,309,149	4,994,462	4,506,917
Other Revenue	**748,259**	755,153	1,084,362	848,324	471,391
Total Revenue	**5,093,956**	5,842,273	5,393,511	5,842,786	4,978,308
Claims expense	**(1,506,511)**	(2,181,184)	(1,751,951)	(920,434)	(1,553,950)
Impairment for Insurance Receivable	**-**	-	(290,471)	(84,266)	(1,113,295)
Other Expenses	**(2,730,040)**	(2,852,936)	(3,001,542)	(3,252,973)	(2,824,909)
Total Benefits, Claims and Other Expenses	**(4,236,550)**	(5,034,121)	(5,043,964)	(4,257,673)	(5,492,154)
Profit Before Tax	**453,828**	326,021	274,859	1,585,113	(513,847)
Income tax expense	**127,363**	(31,078)	72,071	(108,759)	(25,097)
Profit For the Year	**582,209**	294,943	346,930	1,585,113	(513,847)
Other Comprehensive Income for the year, net of tax	**19,667**	(27,869)	(2,237)	(12,435)	(13,887)
Total Comprehensive Income for the year, net of tax	**601,876**	267,074	344,693	1,463,920	(552,830)
Basic Earnings Per Share	**5.82**	4.74	4.00	23.07	(8.51)

SHARE CAPITAL HISTORY

The changes to the Company's authorized and issued share capital since incorporation are summarized below:

Year	Authorised (₦)		Issued & Fully Paid-up(₦)		Consideration
Date	Increase	Cumulative	Increase	Cumulative	Cash/Bonus
1980	0	1,500,000	0	1,500,000	Cash
1988	500,000	2,000,000	500,000	2,000,000	-
1994	28,000,000	30,000,000	18,000,000	20,000,000	Cash
1995	0	30,000,000	0	20,000,000	-
1996	20,000,000	50,000,000	0	20,000,000	-
1997	50,000,000	100,000,000	14,000,000	34,000,000	Cash & Bonus
1998	0	100,000,000	36,000,000	70,000,000	Cash & Bonus
1999	0	100,000,000	3,500,000	73,500,000	Bonus
2000	50,000,000	150,000,000	23,375,000	96,875,000	Cash & Bonus
2001	50,000,000	200,000,000	9,375,000	106,250,000	Cash & Bonus
2002	0	200,000,000	45,250,000	151,500,000	Bonus
2003	300,000,000	500,000,000	202,000,000	353,500,000	Cash & Bonus
2004	500,000,000	1,000,000,000	80,229,342	433,729,342	Cash & Bonus
2005	0	1,000,000,000	77,266,023	510,995,365	Cash & Bonus
2006	1,000,000,000	2,000,000,000	0	510,995,365	Stock Split
2006	5,000,000,000	7,000,000,000	610,588,243	1,121,583,608	Private Placement /Cash
2007	0	7,000,000,000	1,046,648,587	2,168,232,195	Merger with Coral, Confidence & Prime trust Insurance Ltd/Cash
2008	0	7,000,000,000	433,646,438	2,601,878,633	Cash & Bonus
2009	0	7,000,000,000	0	2,601,878,633	-
2010	0	7,000,000,000	0	2,601,878,633	-
2011	0	7,000,000,000	834,000,064	3,435,878,697	Cash
2012	0	7,000,000,000	0	3,435,878,697	-
2013	0	7,000,000,000	0	3,435,878,697	-
2014	3,500,000,000	10,500,000,000	0	3,435,878,697	-
2015	0	10,500,000,000	710,173,000	4,146,051,697	Cash



Our strategies target the particular
Our effects go beyond the particular
We aim universal!

TEAR OFF

Mandate Form

MERISTEM

RC No:489092

Get your Dividend the Instant You Need it with e-Dividend Payment

MANDATE FOR DIVIDEND PAYMENT TO BANKS (e-Dividend)

213, Herbert Macaulay Way,
Sabo-Yaba,
P.O.Box 51585,
Falomo-Ikoyi,
Lagos.
Phone: 01-8920491,8920492
Fax: 01-2702361
e-Mail:info@meristemeregistrars.com
website: www.meristemregistrars.com

To:

The Registrar
Meristem Registrars Limited,
213, Herbert Macaulay Way,
Adekunle, Yaba,
Lagos.

I/We hereby request that from now on, all my/our dividend warrant (s) due to me or/our holdings(s) in Sovereign Trust Insurance Plc be paid to my/our Bank named Below.

Bankname: ____________________

Bank Address: ____________________

Account Number: ____________________

Shareholders' Full Name: ____________________
(Surname First)

Shareholder's Address: ____________________

E-mail: ____________________

Mobile No
CSCS CHN __________ CSCS A/C NO: __________

Single Shareholder's
Signature: ____________________

Joint Shareholder's
Signature:
1) ____________________
2) ____________________

If company,
Authorized Signatory:
1) ____________________
2) ____________________

Company Seal:

Authorized Signature & Stamp
of Bankers: ____________________

Sort Cod | | | | | | | | | | |

e-DIVIDEND PAYMENT-
One stop Solution To Unclaimed Dividend.
Take advantage of it!

TEAR OFF

THE REGISTRAR

RC No:489092

213, Herbert Macaulay Way,
Sabo-Yaba,
P.O.Box 51585,
Falomo-Ikoyi,
Lagos.
Phone: 01-8920491,8920492
Fax: 01-2702361
e-Mail:info@meristemeregistrars.com
website: www.meristemregistrars.com

TEAR OFF

PROXY FORM

SOVEREIGN TRUST
INSURANCE PLC.
RC 31962
...We've got you covered!

I/we...

Of...

In Nigeria, being a member/members of the above named Company hereby appoint

....

Or failing him, the Chairman, **MR. OLUSEUN AJAYI** as my/our proxy to vote for me/ us/ on my/ our behalf at the Annual General Meeting of the Company to be held on 10th day of August 2016 and at any adjournment therefore.

I/we desire this proxy to be used in favour of/or against the resolution as indicated below*

RESOLUTION	FOR	AGAINST
1. To lay before the Meeting the Audited Financial Statements for the year ended December 31, 2015 and the Report of the Directors, the Auditors and the Audit Committee thereon.		
2. To approve the appointment of Directors:		
i. Mr. Olaotan Soyinka (Managing Director/CEO)		
ii. Mrs. Ugochi Odemelam (Executive Director)		
iii. Ms. Emi Faloughi (Non-Executive Director)		
iv. Mr. Adedamola Dania (Non-Executive Director)		
v. Ms. Omozusi Iredia (Non-Executive Director)		
3. To ratify the firm, Ernst & Young as the Company's External Auditors.		
4. To authorize the Directors to fix the remuneration of the Auditors.		
5. To elect the shareholders' representatives on the Audit Committee.		
6. To consider and if deemed fit to pass the following resolution as an ordinary resolution: "That the Directors' fees for the year ended December 31, 2015 be and is hereby fixed at ₦5,000,000."		

SIGNED ....THIS.........DAY Of.........2016

NOTES:

Only a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his/her stead. All valid instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, Meristem Registrars Limited, 213 Herbert Macaulay Street, Ebute–Metta, Alagomeji, Yaba, Lagos, not less than 48 hours before the time fixed for the meeting.

TEAR OFF

THE REGISTRAR

MERISTEM

RC No:489092

213, Herbert Macaulay Way,
Sabo-Yaba,
P.O.Box 51585,
Falomo-Ikoyi,
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website: www.meristemregistrars.com

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SOVEREIGN TRUST
INSURANCE PLC.
RC 31962
...We've got you covered!

(21ST ANNUAL GENERAL MEETING)

ADMISSION SLIP

PLEASE admit only the Shareholder named on this slip or his duly appointed proxy to the Annual General Meeting being held at the Grand Banquet Hall, Civic Centre, Victoria Island, Lagos on10th day of August 2016, at 11.00a.m.

NAME OF SHAREHOLDER...

NAME OF PROXY..
.

*SIGNATURE ....

(*You are requested to sign this admission slip at the entrance to the venue of the meeting.)

TEAR OFF

THE REGISTRAR

RC No:489092

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