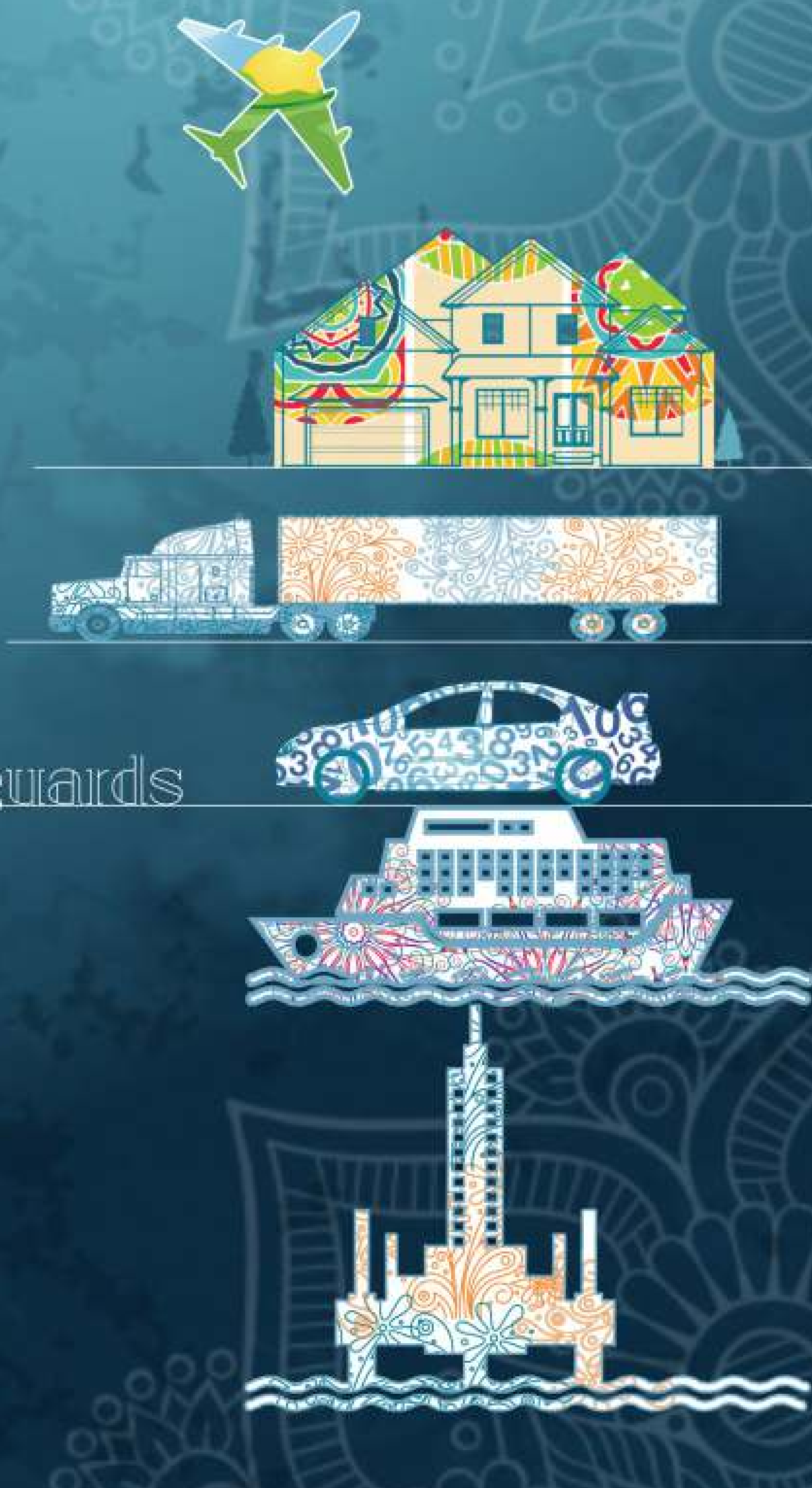
Annual Report & Accounts 2016



Hybrid Safeguards

SOVEREIGN TRUST
INSURANCE PLC.
RC 31962

...We've got you covered!

Optimized Processes

We provide real value through exhaustive covers,
with an understanding that even the safest drivers and
toughest harnesses are sometimes involved in contingencies.

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

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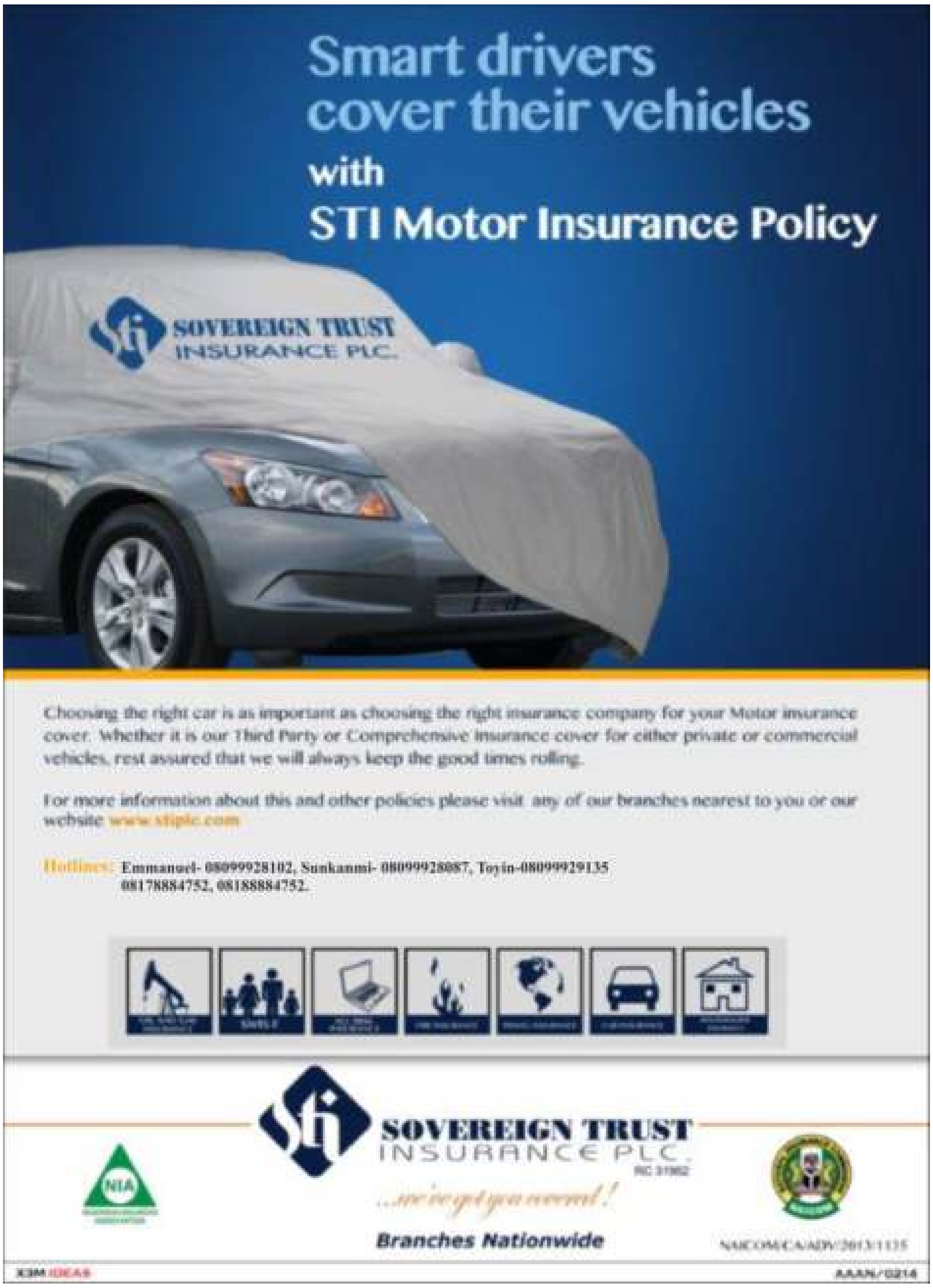
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cover their vehicles
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Choosing the right car is as important as choosing the right insurance company for your Motor insurance cover. Whether it is our Third Party or Comprehensive insurance cover for either private or commercial vehicles, rest assured that we will always keep the good times rolling.
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RC 31962
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Business History

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 ₦30 million and ₦20 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

Business History cont.

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 appropriate recommendations towards risk improvement and minimization of loss impacts.

Currently, our authorized share capital is ₦5.25Billion 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

Business History cont.

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, 2014 and 2015 respectively.

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 10%, 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.

22nd AGM

NOTICE

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **22nd 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 Thursday **21st day of September 2017 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, 2016, and the Reports of the Directors, the Auditors and the Audit Committee thereon.
2. To re-elect Directors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To elect the Shareholders' representatives on the Audit Committee.
5. 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, 2016 and the year ending 31st December 2017 be and is hereby fixed at ₦5,000,000 and ₦3,200,000 respectively.

SPECIAL BUSINESS

1. To consider and if deemed fit to pass the following resolutions:

   (a) That the amount forming the authorised share-capital of the company be and is hereby increased from ₦5,500,000,000.00 (Five Billion Five Hundred Million Naira) to ₦7,500,000,000.00 (Seven Billion Five Hundred Million Naira) by the creation of 4,000,000,000 (Four Billion) ordinary shares of 50 kobo each ranking pari passu in all respects with the existing ordinary shares of the company.

   (b) "That the Directors be and are hereby authorized to raise additional equity capital for the Company up to the maximum limit of the authorized share capital, whether by way of Special Placement or Public Offer with or without a preferential allotment/or Rights issue or a combination of any of them, either locally or internationally and upon such terms and conditions as the Directors may deem fit in the interest of the Company and subject to the approval of the Regulatory Authorities."

   (c) "That in the event of over subscription of the offer/issue to capitalize the excess money and allot additional shares to the extent that can be accommodated by the Company's unissued share capital subject to the approval of the Regulatory Authorities and that the proceeds should be used for the same purpose as the offer/issue."

   (d) That the Company's Memorandum and Articles of Association be amended to reflect the increase in its authorised capital.

DATED THIS 11TH DAY OF AUGUST, 2017

BY ORDER OF THE BOARD

EQUITY UNION LIMITED

Yetunde Martins
Equity Union Limited
Company Secretaries

Notice of Annual General Meeting Cont.

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 21st day of August 2017 to 25th day of August 2017 (both days inclusive) to enable the Registrars make necessary preparations for the Annual General Meeting.

STATUTORY 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.

Kindly note that the provision of the Code of Corporate Governance issued by the Securities & Exchange Commission (SEC) stipulates that members of the statutory Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

Furthermore, in line with the Financial Reporting Council of Nigeria (FRCN) Rules, the Chairman of the Statutory Audit Committee must be a professional member of an accounting body established by Act of the National Assembly in Nigeria.

In line with the above, nominations to the Statutory Audit Committee should be supported by the Curricula Vitae of the nominees in order to confirm eligibility.

RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Articles of Association, the directors to retire by rotation at the 22nd Annual General Meeting are Mr. Oluseun Ajayi and Col. Musa Shehu (Rtd.) (OFR). The retiring directors, being eligible, have offered themselves for re-election.

The profiles of the directors retiring by rotation are available in the Annual Report.

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 not later than 7 days to the date of the meeting,

A Focus on Capital

Successful Businesses the world over
are a direct result of; ideals, ideas and capital.
Global opportunities and responsibilities
require an embrace with newness, reduced
process timings, accuracy and guarded portals.
A continuous repositioning for new markets and trends,
with renewed approach to protection and assurances;
our focus for now and the future.

Corporate Information

Company's Registration number RC 31962

Directors

Mr. Oluseun O. Ajayi
Chairman Appointed 7 April 2016

Mr. Olaotan Soyinka
Managing Director/CEO

Mrs. Ugochi Odemelam
Executive Director

Ms. Emi Faloughi
Non-Executive Director

Mr. Adedamola Dania
Non-Executive Director

Ms. Omozusi Iredia
Non-Executive Director

Col Musa Shehu (Rtd), OFR
Independent Director

Company Secretary

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

Registered Office

17, Adetokunbo Ademola Street
Victoria Island, Lagos.
+234 1 461 5006 – 9
www.stiplc.com

Registrar

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

Solicitors

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

Reporting Actuary

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

Auditors

Ernst & Young
10th & 13th Floors
UBA House
57, Marina
P.O. Box 2442, Marina Lagos

Reinsurers

Aveni Reinsurance Company Limited
African Reinsurance Corporation
Continental Reinsurance Limited
WAICA Reinsurance Pool

Bankers

Access Bank Plc
Diamond Bank Plc
Ecobank Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Limited
Guaranty Trust Bank Plc
Heritage Bank Plc
Standard Chartered Bank
Sterling Bank Plc
Unity Bank Plc
Zenith Bank Plc

Corporate Information cont.

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
4th Floor, Nusaiba Towers,
Plot 117, Ahmadu Bello Way,
Jahi, Abuja.
Tel: 09068146635

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:08099929181

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

Corporate Information cont.

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

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: Victoria Eze
12B, Ogunlana Drive
Surulere, Lagos.
Tel:08099929180

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

YENAGOA BRANCH OFFICE
Contact: Chiajulam Anyatonwu
53, Mbiama-Yenagoa Road,
Abraka House, 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
Tel: 08099929157

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.

Management Team

Olaotan Soyinka
Managing Director/CEO

Ugochi Odemelam
Executive Director, Marketing & Business Development

Kayode Adigun
GM/Divisional Head, Finance & Corp. Services

Sanni Oladimeji
DGM/Head, Risk Management & Compliance

Segun Bankole
AGM/Corporate Communications & Brand Management

Olalekan Oguntunde
AGM/Head, ICT

Olanrewaju Ojuola
AGM/Head, Strategy & Corporate Planning

Emmanuel Anikibe
AGM/Head, Brokers' Department

Mohammed Alfa
AGM/Head, Northern Area Operations

Samuel Oseni
AGM/Head, Internal Audit

Tajudeen Rufai
AGM/Head, Technical

Angela Uche-Onochie
AGM/Head, Eastern Area Operations

Financial Highlights

For the year ended 31 December 2016 in thousands of Nigerian Naira	31 December 2016	31 December 2015
Major Statement of Financial Position items:		
Total assets	9,511,560	9,264,871
Total equity	5,235,428	5,025,196
Insurance contract liabilities	2,838,600	3,046,784
Statement of profit or loss:		
Gross premium written	6,399,854	7,132,224
Net premium income	3,917,414	3,934,235
Net claims expense	1,440,861	1,506,511
Profit before income tax	44,975	430,486
Profit after income tax	23,592	557,849
Per Share Data		
Earnings per share (kobo)	0.3	7.1
Net assets per share (kobo)	62.8	60.2

"Resources will be continually deployed in line with our strategic master plan to achieve greater success and take our frontal position in the years ahead. We are currently in the process of initiating another five year strategic direction that will take the company to the next phase of our growth from 2018 through 2022. Technology, no doubt will form the pivotal thrust of this process in ensuring that we remain competitive and relevant in the insurance market space in many years to come."

Chairman's Statement

MR. OLUSEUN O. AJAYI
Chairman

Chairman's Statement

Distinguished Shareholders,

It is my pleasure and honour to, on behalf of the Board of Directors, welcome you to the 22nd Annual General Meeting of our dear company, Sovereign Trust Insurance Plc and to present the Annual Report and Accounts for the period ended December 31, 2016 for your consideration.

During the year under review, the country experienced an untold economic recession that had a significant impact on all macroeconomic indicators. The global and local socio-economic happenings in 2016 made the year an eventful one with its severe economic effects.

Ladies and gentlemen, the resilience of our business model has enabled us to successfully weather these economic headwinds. Permit me to conduct a brief review of the global and domestic environment which impacted our operations during the year under review.

THE GLOBAL SCENE

The year 2016 got off on a shaky note with risk assets selling off at a ridiculous rate while oil price dropped to an all-time low of $28 per barrel. In the summer, the United Kingdom's referendum to leave the EU was the first unimaginable shock of the year which led to the resignation of the former Prime Minister, David Cameron. In the emerging markets, Brazilian president Dilma Rousseff was impeached and removed from office, driving a rally in Brazilian risk assets.

By winter, Donald Trump was US President-Elect while the Italian Prime

Chairman's Statement cont.

Minister, Matteo Renzi lost his job. OPEC cut production at the end of November and the US Federal Reserve raised interest rates in December of 2016.

Meanwhile, gold had a very strong start at the beginning of the year under review and was up almost 28% at the half-way point although headwinds in the second half of the year meant the yellow metal ended 2016, up a bit with just 7.3%.

It was a year of two halves for several currencies. The US dollar started the year weakening on a trade-weighted basis but rallied to end 2016 up 1.7%.

While US Treasuries performed poorly, other government bonds provided positive returns for investors. UK gilts were the best performers at 7.6% while other European markets did well, helped by ongoing QE with German Bonds returning 5.4% and French government bonds 4.2%. The generally slow global growth also impacted negatively on Nigeria's economy.

DOMESTIC ENVIRONMENT

By the first quarter of 2016, the country had slipped into recession with oil prices plummeting to an average of around $45 per barrel. Nigeria faced a significant drop in revenue in the year under review. A spate of militant attacks on gas pipelines added to the economic pressures, pushing exports down to its lowest level in nine years and reducing Nigeria's power generation to around 2,243mw, a far cry from the Federal Government's ambition of 10,000 mw.

The year equally experienced the worst inflationary rate that climbed to an all-time high of 18.48%. Many businesses were almost brought to a standstill as a result of their inability to access foreign exchange which was considered a key driver for many business operations.

In a key move, the CBN took the decision during the year to introduce a managed float to allow for a more flexible foreign exchange market. The decision was in part, a response to a widening gap between the official exchange rate and the parallel market. The Apex Bank spent approximately $4.7bn in the first quarter in its efforts to support the local currency, with reserves having slipped to $25.8bn by mid-August, 2016.

Although the government was able to decimate the Boko Haram menace in the Northern Nigeria but pockets of suicide

Chairman's Statement cont.

bombings in the area still remained unabated for most part of the year.

In November, drafts of the National Oil Policy and the National Policy on Gas were approved by the Federal Executive Council and submitted to the National Assembly, signalling progress in the country's Petroleum Industry Bill.

The African Development Bank agreed to lend the government $600m to offset its $7bn budget deficit, with a further loan of $400m to be made available in 2017 subject to Nigeria meeting several conditions. Talks are also being held with the World Bank on additional financing.

Looking ahead, the IMF has forecast GDP growth of 0.6% for Nigeria in 2017, an improvement on the last year's recession. Rating agencies are more optimistic, with Moody and Fitch projecting increases of 2.5% and 2.6% respectively. The main impact of the country's recessed economy was that the consumption of insurance plummeted significantly.

THE INSURANCE INDUSTRY

The Industry's regulatory environment harped more on ensuring a better playing field for insurance practitioners by improving on the risk profile assessment. The Risk Based Supervision framework received more attention as a panacea to attracting more investments in the industry.

Like most other industries in Nigeria, the insurance industry was adversely impacted by the downturn in the economy which had its roots in declining crude oil prices since 2014. The lull in business activities dealt a strong blow on the industry's revenue with inflationary pressure by a negative impact on cost of operations as well as long term savings.

Reduced consumer purchasing power threatened GPI growth and increased surrenders in the life business segment. In the non-life segment, there was shift in consumer preference for less expensive insurance covers such as Third Party Insurance cover as against Comprehensive Motor Insurance Cover.

During the year under review, the Nigerian Insurers Association, NIA, pursuant to its mandate of promoting and protecting the business of its members instituted some landmark initiatives aimed at enhancing the growth of the insurance industry. One

Chairman's Statement cont.

of the far-reaching steps taken by the Association was to strengthen the existing relationship between insurance companies and various regulators such as NAICOM, SEC, NSE, FRC FIRS and other agencies whose oversight functions impact on the activities and business of insurance. The Association under the auspices of the Insurance Industry Consultative Council (IICC) successfully hosted the 2016 National Insurance Conference.

OPERATING RESULTS

Despite the harsh operating environment during the year, our company grew its Balance Sheet size from N9.2B in 2015 to N9.5B in 2016. However, there was a downward shift in the Gross Premium Written when compared to the same period ended December 31, 2015. The company ended the year with a Gross Premium Written of N6.3b as against N7.1b in 2015, representing about 12% drop in revenue for the year under review.

By no means, it was indeed a very tough year for many business operators and the insurance industry in particular with an attendant foreign exchange scarcity which had a negative effect on the value of the Naira.

As a result of the increase on our foreign currency exposure and the drop in the consumption of insurance by the hitherto insuring public, our profit for the year under review was greatly impacted. From a profit before tax of N454m in 2015, profit before tax in 2016 dropped to N44.98m in 2016 while profit after tax was N23.59m.The total comprehensive income for the year net of tax however rose to N186m from N19m in 2015.

Our Investment Income grew from N214m in 2015 to N281m in 2016, representing about 32% growth rate. I am however happy to note that the recessed economic situation that pervaded operations of most corporate organizations in the country is beginning to show signs of recovery just as I am confident that our dear company will be a beneficiary of the recovery process in year 2017.

FUTURE OUTLOOK

The drive to continue to uphold comprehensive growth strategy still forms the background upon which our company

Chairman's Statement cont.

is built. With our updated knowledge and understanding of the domestic business dynamics, our strategic direction will be designed to proactively envisage the likely opportunities that are inherent in the industry and mitigate against possible threats that may adversely affect our operations in the current year and beyond..

The expansive Nigerian economy and growing population offer great opportunities to businesses in the country. The potentials of the economy cannot be underestimated even in the face of renewed interest from international investors. All of these in addition to the low penetration rate of insurance market are pointers to great opportunities available in our country and industry. We also plan to align with various NAICOM's growth initiatives in advancing the course of the insurance industry in Nigeria.

Resources will be continually deployed in line with our strategic master plan to achieve greater success and take our frontal position in the years ahead. We are currently in the process of initiating another five year strategic direction that will take the company to the next phase of our growth from 2018 through 2022. Technology, no doubt will form the pivotal thrust of this process in ensuring that we remain competitive and relevant in the insurance market space in many years to come.

CONCLUSION

Distinguished Ladies and Gentlemen, the year 2016 was such an interesting and challenging one with all its attendant uncertainties that characterized the year. We believe that the changes in our business environment will present uncommon opportunities for operators in the years ahead.

We have every reason to be thankful despite the challenges that characterized our operations in 2016. Let me restate our avowed commitment to the provision of service excellence to all our various clients and customers far and wide as we continue to reinvent the wheels of our operations in delighting both our stakeholders and shareholders alike.

I would also like to seize this opportunity to thank our various policyholders and other stakeholders across the geographical boundaries of Nigeria and beyond. Our

Chairman's Statement cont.

survival and strength is strongly derived from your patronage and support.

To my colleagues on the Board, I extend my sincere gratitude for your dedication and counsel in every aspect. I pray God will continue to support all of our efforts as an organization and the country at large. To the unwavering Management Team and Staff of our dear company, I say let us keep the flag flying with every sense of optimism, believing that very soon, we will overcome the various challenges that seem at the moment, very daunting. I also would like to solicit for your renewed vigour in accentuating our great desire to the path of progress and sustained profitability in the years to come.

Thank you.

OLUSEUN O. AJAYI
CHAIRMAN

Directors

Directors

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.

MS. EMI FALOUGHI
Non-Executive Director

Ms. Emi Faloughi is a seasoned professional with vast years of experience in the Oil and Gas Industry ranging from developing system solutions in support of Contracting and Procurement processes. Over the years, she has successfully put together and managed an ever evolving cross functional global network of IT specialists, Contracting & procurement experts and SAP Business Improvement Analysts.

She holds a first degree in Communications and Spanish from London Guildhall University, United Kingdom and a Masters in Urban Planning from Hunter College, New York, United States of America. She is currently the Vice President of TEEOF Holdings Ltd; a company with a diverse portfolio spanning the entertainment and realty sectors.

Directors Cont.

MR. ADEDAMOLA DANIA
Non-Executive Director

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
Non-Executive Director

Ms. Omozusi Iredia is the Chief Responsibility Officer of 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.

COL. MUSA SHEHU (RTD.)
Independent Director

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.

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 is bringing to bear his overwhelming wealth of experience 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.

Directors Cont.

MRS. UGOCHI ODEMELAM
ED, Marketing and 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 working experience of over 20 years cut across the banking and insurance profession. Her experience at Sovereign Trust spans several divisions, Area office operations and other committee works.

Management

Management

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

KAYODE ADIGUN

General Manager/Divisional Head, Finance & Corp. Services

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.

SANNI OLADIMEJI

Deputy General Manager/Head, Risk Management & Compliance

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 25 years of working experience in Finance and Administration.

Management Cont.

SEGUN BANKOLE

Assistant General Manager/Corporate Communications & Brand Management

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.

OLALEKAN OGUNTUNDE

Assistant General Manager/Head, ICT

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 is also an associate of the Chartered Insurance Institute of Nigeria.

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.

Management Cont.

OLANREWAJU OJUOLA

Assistant General Manager/ Head, Strategy and Corporate Planning

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.

EMMANUEL ANIKIBE

Assistant General Manager/Head, Brokers Department

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.

Management Cont.

MOHAMMED BAKO ALFA
Assistant General Manager/ Head, Northern Area Operations

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.

SAMUEL OSENI
Assistant General Manager/ Head, Internal Audit

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.

Management Cont.

TAJUDEEN RUFAI
Assistant General Manager/Divisional Head, Technical

A Chartered Insurer of repute with over two decades work experience garnered from years of working for both Insurance and Reinsurance companies. Has attended several insurance and management courses locally and internationally. An Associate of the Chartered Insurance Institute of London, (CII London). An Associate of the Chartered Insurance Institute of Nigeria, (CIIN). Brings his wealth of experience to bear as the Divisional Head, Technical in the organization.

ANGELA ONOCHIE
Assistant General Manager/ Head, Eastern Area Operations

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 she is an associate of the Chartered Insurance Institute of Nigeria, CIIN. She has attended series of management courses.


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At times in life we are faced with ugly situations that could steal your joy. At such moments, remember you can count on our Burglary Insurance Cover to give you a safe haven just like nothing happened.
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AAAN/0214

Report of the Directors
For The Year Ended 31 December 2016

In compliance with the International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011, the Directors have pleasure in submitting to members their report together with the audited financial statements of Sovereign Trust Insurance Plc ("the Company")for the year ended 31 December 2016.

1 LEGAL FORM AND PRINCIPAL ACTIVITY

The Company was incorporated as a limited liability company on 26 February 1980 and commenced business on 2 January 1995 as a non-life insurer with an authorized share capital of ₦30 million and a fully paid up share capital of ₦20 million following the acquisition and recapitalization of the then Grand Union Assurance Limited.

The Company which was licensed to carry out business in all classes of Non-Life insurance and as special risk insurers currently has authorized share capital of ₦5.25 billion divided into 10.5 billion units of 50kobo per share with a paid up capital of ₦4.1 billion.

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

2 OPERATING RESULTS

	2016	2015
	₦'000	₦'000
Gross premium written	6,399,854	7,132,224
Net premium income	3,917,414	3,934,235
Net claims expenses	1,440,861	1,506,511
Profit after income tax	23,592	557,849

3 DIVIDEND

No dividend is proposed in respect of the current year (2015: Nil).

4 BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year will be contained in the Managing Director's Report in the Annual Report.

Report of the Directors Cont.
For The Year Ended 31 December 2016

5. DIRECTORS

The following are the names of Directors as at the date of this report and those who held offices during the year under review:

DIRECTORS	CAPACITY	REMARKS
Mr. Oluseun O. Ajayi	Chairman	Appointed 7 April 2016
Mr. Olaotan Soyinka	Managing Director/CEO	
Mrs. Ugochi Odemelam	Executive Director	
Ms. Emi Faloughi	Non-Executive Director	
Mr. Adedamola Dania	Non-Executive Director	
Ms. Omozusi Iredia	Non-Executive Director	
Col. Musa Shehu (Rtd), OFR	Independent Director	

a Directors' Interest

The names of the Directors and their interests in the issued and paid up share capital of the Company as recorded in the Register of Directors' shareholdings as at 31 December 2016 are as follows:

DIRECTORS NAME	Number of direct Ordinary Shares held in 2016	Number of indirect Ordinary Shares held in 2016	Total 31 Dec. 2016	Total 31 Dec. 2015
Mr. Oluseun O. Ajayi	244,104,573	668,483,523	912,588,096	898,588,096
Mr. Olaotan Soyinka	1,532,640	-	1,532,640	1,532,640
Mrs. Ugochi Odemelam	4,490,321	-	4,490,321	4,490,321
Ms. Emi Faloughi	27,024,097	1,221,572,742	1,248,596,839	27,024,097
Mr. Adedamola Dania	-	-	-	-
Ms. Omozusi Iredia	-	592,282,401	592,282,401	-
Col Musa Shehu (Rtd), OFR	-	-	-	-

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2016.

6 COMPLAINTS MANAGEMENT POLICY

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

Report of the Directors Cont.
For The Year Ended 31 December 2016

7 ACQUISITION OF OWN SHARES

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

8 COMPANY'S DISTRIBUTORS

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

9 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

10 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.

11 SECURITIES TRADING POLICY

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

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

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

12 EMPLOYMENT AND EMPLOYEES

a Employee Involvement and Training

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

b Employment of Physically Challenged Persons

It is the policy of the Company that there is no discrimination in considering

Report of the Directors Cont.
For The Year Ended 31 December 2016

applications for employment including those of physically challenged persons. All employees whether physically challenged or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their careers.

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

13 EVENTS AFTER THE REPORTING DATE
There were no events after the reporting date which could have a material effect on the financial position of the Company as at 31 December 2016 or the financial performance for the year then ended that have not been adequately provided for.

14 EQUITY RANGE ANALYSIS
The range of shareholding as at 31 December 2016 is as follows:

Range	No. of Holders	Percent	Unit	Percent
1-1,000	723	8.06	345,212	0.004
1,001-5,000	1618	18.03	4,826,095	0.058
5,001-10,000	1062	11.83	7,892,451	0.095
10,001-50,000	2887	32.17	73,024,047	0.876
50,001-100,000	981	10.93	69,894,707	0.838
100,001-500,000	1191	13.27	246,157,795	2.951
500,001-1,000,000	193	2.15	140,150,255	1.680
1,000,001-5,000,000	302	3.36	1,743,669,104	20.905
5,000,001-10,000,000	4	0.04	225,491,464	2.703
10,000,001-50,000,000	14	0.16	5,829,372,166	69.890
Grand Total	8,975	100	8,340,823,296	100

15 SHAREHOLDERS WITH 5% SHAREHOLDING AND ABOVE

NAME	NO. OF HOLDING	% 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
TWSN Limited	592,282,401	7.1
Sovereign Investments Limited	518,764,803	6.22
Insurance Management Consultants	500,962,548	6.01
Others	3,910,227,565	46.87
TOTAL	8,340,823,296	100

Report of the Directors Cont.
For The Year Ended 31 December 2016

16 DONATIONS AND SPONSORSHIP
The tax allowable donations and sponsorship made during the year was ₦2,495,000 (2015:₦2,450,000).

	2016
	₦
Chartered Insurance Institute of Nigeria	500,000
Nigerian Insurers Association	500,000
Professional Insurance Ladies	450,000
Hope Builders Skills Development & Acquisition Foundation	340,000
Loyola Jesuit College Parents Association	250,000
Chartered Institute of Taxation of Nigeria	250,000
University of Lagos (Asisa)	205,000
	2,495,000

17 PROPERTY, PLANT AND EQUIPMENT
Information relating to the Company's property, plant and equipment is detailed in the Note 28 to the financial statements.

18 BOARD COMMITTEES
The Board, in compliance with the guidelines of the National Insurance Commission carried out its oversight function through its standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meeting, duties, tenure and reporting lines to the Board.

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

a Establishment, Governance and Business Development Committee
1. Ms. Emi Faloughi Chairperson
2. Mr. Adedamola Dania Member
3. Mr. Olaotan Soyinka Member
4. Mrs. Ugochi Odemelam Member

b Finance and General Purposes Committee
1. Ms. Omozusi Iredia Chairperson
2. Ms. Emi Faloughi Member
3. Mr. Olaotan Soyinka Member
4. Mrs. Ugochi Odemelam Member

c Investment Committee
1. Mr. Adedamola Dania Chairman
2. Col. Musa Shehu (Rtd) Member
3. Mr. Olaotan Soyinka Member
4. Mrs. Ugochi Odemelam Member

d Enterprise Risk Management Committee
1. Col. Musa Shehu (Rtd) Chairman
2. Mr. Adedamola Dania Member
3. Mr. Olaotan Soyinka Member
4. Mrs. Ugochi Odemelam Member

e Audit committee
Pursuant to Section 359(3) of the Companies and Allied Matters Act, CAP C20 Laws of the Federal Republic of Nigeria 2004, the Company has in place an Audit Committee comprising two shareholders and two Directors as follows:

1. Otunba Femi Dina
Shareholder Representative - Chairman
2. Mr. Tunde Adaramaja
Shareholder Representative
3. Ms. Emi Faloughi
Non-Executive Director
4. Ms. Omozusi Iredia
Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

All the committees endeavoured to perform their duties competently during the year ended 31 December 2016.

Report of the Directors Cont.
For The Year Ended 31 December 2016

19 RECORD OF COMMITTEES ATTENDANCE

a Record of attendance at board meetings for the year 2016

DIRECTORS	7-Apr-16	7-Jun-16	9-Aug-16	1-Dec-16	19-Dec-16
CHIEF E. F. FALOUGHI (OON)	Yes	Retired	Retired	Retired	Retired
MR OLUSEUN AJAYI	No	Yes	Yes	Yes	Yes
MR BOLAJI AGBABIAKA	Yes	Retired	Retired	Retired	Retired
PROF. STEVE AZAIKI (OON)	No	Retired	Retired	Retired	Retired
MR KOLAPO LAWSON	Yes	Retired	Retired	Retired	Retired
SIR OGALA OSOKA (MFR)	Yes	Retired	Retired	Retired	Retired
COL. MUSA SHEHU (RTD) (OFR)	Yes	Yes	Yes	Yes	Yes
MS. EMI FALOUGHI	Yes	Yes	Yes	Yes	Yes
MS. OMOZUSI IREDIA	No	No	Yes	Yes	No
MR. ADEDAMOLA DANIA	No	Yes	Yes	Yes	Yes
MR. OLAOTAN SOYINKA	Yes	Yes	Yes	Yes	Yes
MRS. UGOCHI ODEMELAM	Yes	Yes	Yes	Yes	Yes

b Record of attendance at the finance & general purposes committee meetings for 2016

MEMBERS	9-Feb-16	7-Sep-16	30-Nov-16
MR KOLAPO LAWSON	Yes	Retired	Retired
MR BOLAJI AGBABIAKA	Yes	Retired	Retired
MR OLUSEUN AJAYI	Yes	-	-
SIR OGALA OSOKA (MFR)	Yes	Retired	Retired
MS. OMOZUSI IREDIA	N/A	Yes	Yes
MR. ADEDAMOLA DANIA	N/A	Yes	Yes
MR. OLAOTAN SOYINKA	Yes	Yes	Yes
MRS. UGOCHI ODEMELAM	Yes	Yes	Yes

c Record of attendance at the investment committee meetings for 2016

MEMBERS	6-Sep-16	29-Nov-16
COL. MUSA SHEHU (RTD) (OFR)	Yes	Yes
MR. ADEDAMOLA DANIA	Yes	Yes
MR. OLAOTAN SOYINKA	Yes	Yes
MRS. UGOCHI ODEMELAM	Yes	Yes

d Record of attendance at the establishment & business development committee meetings for 2016

MEMBERS	7-Jan-16	9-Feb-16	7-Sep-16	30-Nov-16
SIR OGALA OSOKA (MFR)	Yes	Yes	Retired	Retired
COL. MUSA SHEHU (RTD) (OFR)	Yes	Yes	-	-
MR KOLAPO LAWSON	No	Yes	Retired	Retired
MS. EMI FALOUGHI	Yes	Yes	Yes	Yes
MR. ADEDAMOLA DANIA	N/A	N/A	Yes	Yes
MR. OLAOTAN SOYINKA	Yes	Yes	Yes	Yes
MRS. UGOCHI ODEMELAM	Yes	Yes	Yes	Yes

Report of the Directors Cont.
For The Year Ended 31 December 2016

e Record of attendance at the enterprise & risk management committee meetings for 2016

MEMBERS	6-Sep-16	29-Nov-16
COL. MUSA SHEHU (RTD) (OFR)	Yes	Yes
MR. ADEDAMOLA DANIA	Yes	Yes
MR. OLAOTAN SOYINKA	Yes	Yes
MRS. UGOCHI ODEMELAM	Yes	Yes

f Record of attendance at the statutory audit & compliance committee meetings for 2016

MEMBERS	14-Jan-16	19-Apr-16	30-Nov-16
MR. BIMBO OGUNTUNDE	Yes	Yes	Retired
OTUNBA OLUFEMI DINAH	Yes	Yes	Yes
MR. BABATUNDE ADARAMAJA	N/A	N/A	Yes
SIR OGALA OSOKA (MFR)	Yes	Retired	Retired
MS. OMOZUSI IREDIA	N/A	No	Yes
MS. EMI FALOUGHI	N/A	Yes	Yes

20 AUDITORS

The Auditors, Messrs. Ernst & Young, were appointed during the year and have expressed their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

EQUITY UNION LIMITED

Yetunde Martins
FRC/2013/NBA/0000003399
Equity Union Limited
Company Secretaries
Lagos, Nigeria
Date May 2, 2017

Report of the Statutory Audit Committee
For The Year Ended 31 December 2016

To the members of Sovereign Trust Insurance Plc:

In accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011, the members of the Statutory Audit Committee of Sovereign Trust Insurance Plc. hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and we acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2016 were satisfactory, and reinforce the Company's internal control systems.

- We have deliberated with the external auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the external auditors' recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.

Otunba Femi Dina
Chairman, Audit Committee
FRC/2015/ICAN/00000011454
Date: May 2, 2017

Members of the Audit Committee are:

1 Otunba Femi Dina	Chairman
2 Mr. Tunde Adaramaja	Member
3 Ms. Emi Faloughi	Member
4 Ms. Omozusi Iredia	Member

Secretary to the Committee
Yetunde Martins

Statement of the Directors' Responsibilities in Relation to the Preparation of the Financial Statements For The Year Ended 31 December 2016

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of International Financial Reporting Standards, and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines and circulars issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

d) The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines and circulars issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit or loss and other comprehensive income. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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

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

Date May 2, 2017

Certification Pursuant To Section 60 (2) of the 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 31 December 2016 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 statements and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the years presented in this 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 entities 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
FRC/2013/CIIN/00000002671
Managing Director/CEO

Mr. Kayode Adigun
FRC/2013/ICAN/00000002652
Chief Financial Officer

EY Building a better working world
10th & 13th Floors
UBA House
57, Marina
P.O. Box 2442, Marina Lagos

Independent Auditors' Report

TO THE MEMBERS OF SOVEREIGN TRUST INSURANCE PLC
Report on the Financial Statements

Opinion
We have audited the accompanying financial statements of Sovereign Trust Insurance Plc, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Sovereign Trust Insurance Plc present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for year then ended and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Stardards Board (IASB), and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants' (IESBA Code) requirements applicable to performing the audit of Sovereign Trust Insurance Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Sovereign Trust Insurance Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditors' Report Cont.

Key Audit Matter	How the matter was addressed in the audit
The Company has insurance contract liabilities (outstanding claims) stated at ₦1.072 billion at 31 December 2016 representing 25.97% of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing of ultimate full settlement of liabilities. Insurance contract liabilities are disclosed in Note 29.1 to the financial statements. The Company engages an actuary to test the adequacy of this valuation as at year end. The complexity of the valuation models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Significant judgement is applied in setting these models.	We used our own actuarial specialists to assist us in performing the audit procedures in the area of reviewing the Company's Actuarial report on insurance contract liabilities which included among others: i. Consideration of the appropriateness of assumptions used in the valuation of the Insurance Contracts by reference to company and industry data and expectations of expense developments. ii. Consideration of the appropriateness of the non-economic assumptions used in the valuation of the Insurance contracts in relation to lapse or extension assumptions by reference to company specific and industry data. iii. We reviewed and documented management's process for estimating non-life policy benefits. iv. Performed file reviews of specific underwriting contracts in order to maximize our understanding of the book of business and validate initial loss estimates. v. Performed subsequent year claim payments to confirm the reasonableness of the initial loss estimates.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Report of the Statutory Audit Committee, Financial Highlights, Statement of Value Added and Five-year Financial Summary as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Certification Pursuant to section 60(2) of the Investment and Securities Act no. 29 of 2007 and National Insurance Commission (NAICOM). The other information were obtained prior to the date of this report, and the Annual Report, is expected to be made available to us after that date. The other information does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the

Independent Auditors' Report Cont.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm

Independent Auditors' Report Cont.

that:

i we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;

iii the Company's statements of financial position, profit or loss, and other comprehensive income are in agreement with the books of account;

iv in our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to give a true and fair view of the state of financial position and financial performance.

Penalties

The Company incurred penalty in respect of contravention of the requirement of a section of the National insurance Commission's Operational Guideline 2011 during the financial year. The details of the contravention and penalty are disclosed in note 48 of the financial statements.

Kayode Famutimi, FCA,
FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria
Date: 3 May 2017

Summary of Significant Accounting Policies

1. Corporate information

Sovereign Trust Insurance Plc ("The Company") was incorporated as a limited liability company on 26 February 1980, but was reorganized and commenced business as a reorganized non-life insurance company on 2 January 1995 with an authorized share capital of N30 million and a fully paid up capital of the N20 million following the acquisition and recapitalization of the then Grand Union Assurance Limited. The Company was listed on the Nigerian Stock Exchange on 29 November 2006.

Sovereign Trust Insurance Plc is regulated by the National Insurance Commission of Nigeria.

The principal activity of the Company continues to be the provision of all classes of non-life insurance and special risk insurance, settlement of claims and Insurance of Policy Holders' Fund. 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.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Basis of presentation and compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC) for Interpretations applicable to companies reporting under IFRS. Additional information required by national regulations has been included where appropriate.

The preparation of these financial statements have been based on the historical cost basis except for investment properties and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In accordance with IFRS 4 Insurance Contracts, the Company has applied existing accounting policies for Non-life insurance contracts, modified as appropriate to comply with the IFRS framework.

The preparation of financial statements in conformity with IFRS requires the Company's Board of Directors to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions or estimates are significant to the financial statements are as disclosed in Note 3.

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

The principal accounting policies are set out below.

2.3 Presentation currency

The financial statements are presented in Nigerian Naira (₦) and are rounded to the nearest thousand ('000) unless otherwise stated.

2.4 Foreign currencies

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of

Summary of Significant Accounting Policies Cont.

exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Functional currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company is incorporated in Nigeria and has adopted the Naira as its functional currency.

2.5 Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

2.6 Financial assets
Initial recognition and measurement
The Company designates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets and loans and receivables. Management determines the classification of its financial instruments at initial recognition. The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
Financial assets are recognized initially at fair value and subsequently recognized at fair value, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The classification depends on the purpose for which the investments were acquired or originated.

2.6.1 *Effective interest method*
Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

2.6.2 *Financial assets at fair value through profit or loss (FVTPL) - Equity securities*
Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets held for trading include equity securities which are acquired principally for the purpose of generating a profit from short-term fluctuation in price.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in statement of profit or loss. The net gain or loss recognized in statement of profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating income' line item in the statement of profit or loss.

2.6.3 *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments include investment in debt securities (bonds) issued by federal government, state governments and other corporate entities.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2.6.4 *Available-for-sale financial assets (AFS financial assets)*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Company holds investments in unlisted shares that are not traded in an active market but classified as AFS financial assets and stated at cost less accumulated impairment. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in statement of profit or loss.

Other changes in the carrying amount of available-for-sale financial assets are recognized in statement of other comprehensive income and accumulated under the heading of available for sale reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Available-for-sale reserve is reclassified to statement of profit or loss. Dividend on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in statement of profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in statement of other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

2.6.5 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of profit or loss. Gains and losses are recognised in the profit or loss also when loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.6.5.1 Trade receivables

Receivables include amounts due from agents, contractual brokers and insurance contract holders. Receivables arising under insurance contracts are measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

2.6.6 *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of

Summary of Significant Accounting Policies Cont.

one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For AFS debt instrument, the Company treats 'significant' generally as 20% and 'prolonged' generally as greater than twelve months.

For all other financial assets, objective evidence of impairment could include:

* Significant financial difficulty of the issuer or counterparty; or
* Breach of contract, such as a default or delinquency in interest or principal payments; or
* It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
* The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial asset carried at amortised cost

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in statement of profit or loss.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment was reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.6.7 *Available for sale financial assets*

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in statement of other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in statement of other comprehensive income and accumulated under the heading of available-for-sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through statement of profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.6.8 *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in statement of other comprehensive income and accumulated in equity is recognized in statement of profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in statement of other comprehensive income is recognized in statement of profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2.7 Other assets

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

2.8 Reinsurance contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

2.8.1 *Reinsurance assets*

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and ceded policy claims. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing when and only when;

(a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and

(b) that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

The carrying amount is reduced to its recoverable amount when there is an impairment loss. The impairment loss is recognised as an expense in the profit or loss. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

Reinsurance liabilities are derecognized when, and only when, it is extinguished—i:e when the obligation specified in the contract is discharged or cancelled or expires.

Summary of Significant Accounting Policies Cont.

2.8.2 *Reinsurance recoveries*

Reinsurance recoveries in respect of Incurred but not reported (IBNR) claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Company's reinsurance programmes. An assessment is made of the recoverability of reinsurance having regard to available data on the financial strength of the reinsurance companies.

Gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

2.8.3 *Reinsurance liabilities*

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

2.9 Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business are deferred by recognising an asset. For other insurance contracts, acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred (deferred acquisition costs).

Where such business is reinsured the reinsurers' share is carried forward as deferred income.

Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contracts and tested for impairment at each reporting date. Any amount not recoverable is expensed. They are derecognized when the related contracts are settled or disposed of.

Deferred income - Reinsurance commissions

The Company recognises commissions receivable on outwards reinsurance contracts as a deferred income and amortised over the average term of the expected premiums payable.

2.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in statement of profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited independent external valuer applying a valuation model.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss in the period in which the property is derecognized.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of 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 profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

2.11 Intangible assets

Software

The amount initially recognized for intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Costs associated with maintaining computer software programmes are recognised as an

Summary of Significant Accounting Policies Cont.

expense as incurred.

Directly attributable costs that are capitalised as part of the software product include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Its estimated useful life typically varies between 3 and 5 years.

2.12 Property, plant and equipment

Property, plant and equipment are those owned and used by the Company, and are stated in the statement of financial position at cost not for building which are at revalued amount, less any subsequent accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Property, plant and equipment (excluding building) is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Building is measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in statement of other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case, the increase is recognised in the profit or loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revalaution reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line method to write down the cost of assets in equal installments over their estimated useful lives, at the following annual rates:

Land	-
Building	2%
Leasehold improvements	10%
Motor vehicles	25%

Summary of Significant Accounting Policies Cont.

Furniture and fittings	15%
Computer equipment	33.3%
Office equipment	20%
Plant and machinery	15%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.13 Statutory deposit

Statutory deposit represents a deposit of 10% of the regulatory share capital kept with the Central Bank of Nigeria. The amount held will increase or decrease in relation to the amount of paid up share capital in issue. The cash amount held is considered to be a restricted cash balance.

2.14 Insurance contract liabilities

2.14.1 *Provision for Outstanding claims and Incurred but not reported (IBNR) claims*

Provision for liabilities of insurance contracts is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

Material salvage and other recoveries including reinsurance recoveries are presented as assets.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The liability for Incurred but not Reported (IBNR) claims is calculated at the end of the reporting period, using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability was not discounted for time value of money; and no further provision was made for equalisation or catastrophe reserves (as prohibited by IFRS 4).

These liabilities are derecognised when the obligation to pay a claim is extinguished (i.e. expired, discharged or cancelled).

2.14.2 *Provision for unearned premiums and unexpired risks*

The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries that is estimated to be earned in subsequent periods. The change in the provision is recorded in the profit or loss to recognize revenue over the period of the risk.

2.14.3 *Liability adequacy*

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisition cost to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the profit or loss and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The unexpired risks provision is assessed in aggregate for business classes which are managed together.

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

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2.16 Other payables

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

2.17 Taxation

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

2.17.1 *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current taxes include: Company Income Tax at 30% of taxable profit; Education Tax at 2% of assessable profit; Capital Gain Tax at 10% of chargeable gains; and Information Technology Development Levy at 1% of accounting profit. Minimum tax may be computed based on CITA.

2.17.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences.
Deferred tax assets are generally recognized for all deductible temporary difference, unutilised tax loss and unutilised tax credits.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.17.3 *Current and deferred tax for the year*

Current and deferred tax are recognized in statement of profit or loss, except when they relate to items that are recognized in statement of other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in statement of other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

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(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or
(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.18 Employee benefit costs

Defined contribution pension scheme

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

This is done in line with the Pension Reform Act 2014, whereby the minimum rate of Pension Contribution is 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer.

Short-term benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses when the associated services are rendered by the employees of the Company.

2.19 Borrowings

Redeemable convertible loan and finance costs

Redeemable convertible loan comprise interest payable on loans and bank overdrafts as well as commission fees charged in respect of letters of credit. They are charged to profit or loss as incurred, except those that relate to qualifying assets. Arrangement fees in respect of financing arrangements including letters of credit are charged to borrowing costs over the life of the related facility.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that is an integral part of the EIR. The EIR amortisation is included in finance cost in the profit or loss.

2.20 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.21 Statutory contingency reserve

The Company maintains Statutory contingency reserve in accordance with the provision of Section 21(2) of the Insurance Act CAP I17, LFN 2004 to cover fluctuations in securities and variations in statistical estimates at a rate equal to greater of 3% of gross premium or 20% of net profits until the accumulated amount reaches the greater of the minimum paid-up capital or 50% of the net premium.

2.22 Dividends

Dividend to the shareholders of the Company is recognised in the period in which the dividend are declared as a first interim dividend approved by the Board of Directors or a second interim dividend approved by the Company's shareholders at the Company's annual general meeting.

Final dividend for the year that are approved after the reporting date are dealt with as event after the reporting date. This is approved by the shareholders at the Annual General Meeting.

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

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2.23.1 *Gross written premium*

Written premiums comprise the premiums on contracts incepted in the financial year. Written premiums are stated gross of commissions that are payable to intermediaries and exclusive of taxes and duties on premiums. Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date. Unearned premiums are calculated on a time apportionment basis.

2.23.2 *Fees and commission income*

Fees and commission income consists primarily of agency and brokerage commission, reinsurance and profit commissions, policyholder administration fees and other contract fees. Reinsurance commission receivables are deferred in the same way as acquisition costs. All other fees and commission income are recognized as the services are provided.

2.23.3 *Investment income*

Investment income consists of dividend, interest and rent received, movements in amortized cost on debt securities and other loans and receivables, realized gains and losses, and unrealized gains and losses on fair value assets.

Interest income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Rental income

Rental income is recognized on an accrual basis.

Realized gains and losses

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Unrealised gains and losses

Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

2.24 Benefits, claims and expenses recognition

2.24.1 *Insurance Benefits and claims*

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

The Company recognises reinsurance claims when the related gross insurance claims are recognised according to the terms of the relevant contracts.

2.24.2 *Underwriting expenses*

Underwriting expenses refer to all expenses, inclusive of net commissions, that are applicable to the servicing of net premiums written. These expenses encompass all that are incurred by an insurance company.

Underwriting expenses for insurance contracts are recognised as expense when incurred, with the exception of acquisition costs which are recognised on a time apportionment basis in respect of risk.

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts.

Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting period in which they are incurred.

2.24.3 *Other expenses*

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

2.25 Leases

The determination of whether an arrangement

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is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Company are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight line basis over the lease term.

3 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the Company's accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company.

The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the years ahead.

Product classification and contract liabilities

The Company's Non-life insurance contracts are classified as insurance contracts. As permitted by IFRS 4, assets and liabilities of these contracts are accounted for under previously applied GAAP.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The

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estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is ₦2,839 billion (2015: ₦3,047 billion).

Fair value of financial instruments using valuation techniques

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

The carrying amount of financial assets at the report date is ₦904million (2015: ₦930 million).

Impairment on receivables

In accordance with the accounting policy, the Company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery.

Re-assessment of useful lives and residual values

The Company carries its property, plant and equipment at cost, except for building which are at revalued amount, in the statement of financial position. The annual review of the useful lives and residual value of Property, plant and equipment result in the use of significant management judgements.

4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of

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issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments - Effective for annual periods beginning on or after 1 January 2018.

Key requirements
Classification and measurement of financial assets
All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FV.

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

In determining the appropriate period to measure ELCs, entities are generally required to assess based on either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, a simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting
Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged.

IFRS 9 Financial Instruments - continued
More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition
Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance

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contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

Impact

The application of IFRS 9 will have an effect on measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January 2018.

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

Transition

Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Impact

The Company has assessed the potential impact of financial statements resulting from the application of IFRS 15 which is generally expected to have an impact on the financial

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statements of insurance businesses. Given insurance contracts are scoped out of IFRS 15, the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Company does not expect the impact to be significant.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liaility and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

New and amended standards and interpretations

IFRS 14 - Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of,

Summary of Significant Accounting Policies Cont.

and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Effective date is 1 January 2016. This standard will not have impact on the Company since is an existing IFRS preparer.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41 - Accounting for bearer plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements must apply that change retrospectively.

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

Summary of Significant Accounting Policies Cont.

5 Annual Improvements

2012-2014 cycle (issued in September 2014)

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Changes in methods of disposal

- Assets (or disposal groups) are generally disposed of either through sale or distribution to owners.
- The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
Servicing contracts

•The amendment 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 the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

• The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the offsetting disclosures to condensed interim financial statements
• The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

• The amendment must be applied retrospectively.

IAS 19 Employee Benefits Discount rate: regional market issue
• The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

• The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
Disclosure of information 'elsewhere in the interim financial report'
• The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

• The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

• The amendment must be applied retrospectively.

2012-2014 cycle (issued in September 2014)

IAS 1 Disclosure Initiative – Amendments to IAS 1
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of

Summary of Significant Accounting Policies Cont.

financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to
IFRS 10, IFRS 12 and IAS 28
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. 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 services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

FINANCIALS

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015 *Restated
Assets			
Cash and cash equivalents	18	3,015,331	2,582,695
Investment securities	19	562,846	929,904
Trade receivables	20	308,428	115,751
Reinsurance assets	21	1,716,444	1,822,099
Deferred acquisition costs	23	496,295	567,819
Other receivables and prepayments	24	55,877	430,493
Investment in associate	25	66,857	58,104
Investment properties	26	1,181,454	1,358,256
Intangible assets	27	20,792	29,424
Property, plant and equipment	28	1,620,472	842,381
Deferred tax assets	22.2	151,764	212,945
Statutory deposit	29	315,000	315,000
Total assets		9,511,560	9,264,871
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	30	2,838,600	3,046,784
Debt securities issued	31	750,456	531,976
Bank overdrafts	32	108,641	-
Trade payables	33	225,953	313,403
Other payables and accruals	34	121,918	119,916
Current income tax payable	22	46,158	17,108
Retirement benefit obligation	35	184,406	210,488
Total liabilities		4,276,132	4,239,675
Equity			
Issued and paid up share capital	36	4,170,412	4,170,412
Share premium	37	116,843	116,843
Contingecy reserve	38	2,077,191	1,885,195
Revaluation reserve	39.1	175,288	-
Available-for-sale reserve	39.2	(3,984)	1,171
Accumulated losses	39.3	(1,300,322)	(1,148,425)
Total equity		5,235,428	5,025,196
Total liabilities and equity		9,511,560	9,264,871

The financial statements were approved and authorised for issue by the Board of Directors on May 2, 2017 and signed on its behalf by:

Mr. Oluseun O. Ajayi (Chairman)____________ FRC/2013/CIIN/00000003373

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

Mr. Kayode Adigun (Chief Financial Officer)____________ FRC/2013/ICAN/00000002652

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 41

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

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016 in thousands of Nigerian Naira	Notes	2016	2015 *Restated
Gross premium written		6,399,854	7,132,224
Gross premium income	1	6,763,129	6,992,353
Premiums ceded to reinsurers	1	(2,845,715)	(3,058,118)
Net premium income		3,917,414	3,934,235
Commission income	2	354,125	411,462
Net underwriting income		4,271,539	4,345,697
Net claims expenses	3	(1,440,861)	(1,506,511)
Underwriting expenses	4	(1,178,956)	(1,165,600)
Underwriting profit		1,651,722	1,673,586
Investment income	5	281,288	214,061
Fair value (loss)/gain on quoted equities	6	(17,952)	17,534
Share of profit from associate	7	8,753	8,902
Net fair value gain on investment properties	8	14,864	7,971
Gain on disposal of property, plant and equipment	9	3,282	2,228
Other operating income	10	17,150	69,547
Management expenses	11	(1,589,164)	(1,475,459)
Result of operating activities		369,943	518,370
Finance costs	14	(324,968)	(87,884)
Profit before income tax		44,975	430,486
Income tax (expense)/benefit	15.1	(21,383)	127,363
Profit after income tax		23,592	557,849
Profit attributable to:			
Equity holders of the Company		23,592	557,849
Earnings per share:			
Basic and diluted (kobo)	16	0.3	7.1

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 41

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 in thousands of Nigerian Naira		2016	2015
Profit after income tax		23,592	557,849
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealised net losses arising from available for sale investment securities	19.5	(5,155)	(12,245)
		(5,155)	(12,245)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain in defined gratuity scheme	35.2	23,581	31,911
Effect of tax at 30% on actuarial gain	22.2	(7,074)	-
		16,507	31,911
Revaluation gain on building	28	250,412	-
Effect of tax at 30%	22.2	(75,124)	-
		175,288	-
		191,795	31,911
Total comprehensive income for the year, net of tax,		186,640	19,666
Total comprehensive income attributable to equity holders of the		210,232	577,515

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 41

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

in thousands of Nigerian Naira	Notes	Issued and paid up share capital	Share premium	Contingency reserve	Revaluation reserve	Available-for-sale-reserve	Deposit for shares	Accumulated losses	Total equity
As at 1 January 2015		3,435,879	116,843	1,671,228	-	13,416	410,284	(1,486,794)	4,160,856
Profit for the year after income tax(*Restated)		-	-	-	-	-	-	557,849	557,849
Other comprehensive income		-	-	-	-	(12,245)		31,911	19,666
Total comprehensive income for the year(*Restated)		-	-	-	-	(12,245)	-	589,760	577,515
Rights issue(*Restated)		324,249							324,249
Allotment of shares		410,284					(410,284)		-
Capital raising expenses								(37,424)	(37,424)
Transfer to contingency reserve	38	-	-	213,967	-	-	-	(213,967)	-
As at 31 December 2015 (***Restated)**		4,170,412	116,843	1,885,195	-	1,171	-	(1,148,425)	5,025,196
Profit for the year after income tax		-	-	-	-	-	-	23,592	23,592
Other comprehensive income		-	-	-	175,288	(5,155)		16,507	186,640
Total comprehensive income for the year		-	-	-	175,288	(5,155)	-	40,099	210,232
Transfer to contingency reserve	38	-	-	191,996	-	-	-	(191,996)	-
As at 31 December 2016		4,170,412	116,843	2,077,191	175,288	(3,984)	-	(1,300,322)	5,235,428

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 41

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

STATEMENT OF CASHFLOWS

For the year ended 31 December 2016 in thousands of Nigerian Naira	Notes	2016	2015 ***Restated**
Operating activities:			
Premium received from policy holders		6,207,177	7,074,024
Claims recovered from to reinsurers	3	89,067	94,492
Cash paid to and on behalf of employees	12	(810,195)	(761,648)
Reinsurance premium paid		(2,753,314)	(3,058,118)
Fees and commission Income		354,125	411,462
Commission paid		(899,900)	(921,384)
Other operating cash receipts/(payments)		(495,183)	(474,815)
Claims paid		(1,395,324)	(1,736,410)
Gratuity benefit paid to employees		(26,081)	(33,416)
Company income tax paid	22.1	(13,350)	(20,686)
Net cash flows from operating activities	43	257,023	573,501
Investing activities:			
Purchase of property, plant and equipment	28	(342,275)	(143,367)
Advance payment for building		-	(300,000)
Purchase of intangible assets	27	(6,404)	(14,478)
Receipts from loan to organisation		-	1,350
Receipts from mortgage loan		7,127	8,455
Purchase of held to maturity bonds	19.5	(20,000)	(124,086)
Proceeds from bonds maturity	19.5	41,750	-
Proceeds on sale of property, plant and equipment	9	3,282	2,228
Liquidation of managed fund		-	104,431
Purchase of investment property	26	(6,769)	(11,199)
Proceeds from disposal of investment property	26	198,435	-
Investment in quoted stock	19.5	-	(222,913)
Proceeds from disposal of quoted stock		15,773	327,391
Investment in unquoted Stock		(75,160)	(16,800)
Purchase of treasury bill		-	(20,000)
Investment in fixed deposit		-	(245,097)
Proceed on fixed deposit maturity/renewal		341,362	129,612
Interest and rental income		-	207,135
Dividend from quoted investment		-	9,837
Unclaimed dividend received		-	68,400
Net cash flows used in investing activities		157,122	(239,101)
Financing activities:			
Capital raising expenses		-	(37,424)
Repayment of foreign loan		(88,918)	(274,615)
Deposit for shares		-	(410,284)
Issue of shares		-	734,533
Net cash flows used in financing activities		(88,918)	12,210
Net increase from cash and cash equivalents		325,226	348,426
Net foreign exchange difference		(1,231)	(1,816)
Cash and cash equivalents at 1 January	40	2,582,695	2,236,085
Cash and cash equivalents at 31 December	40	2,906,690	2,582,695

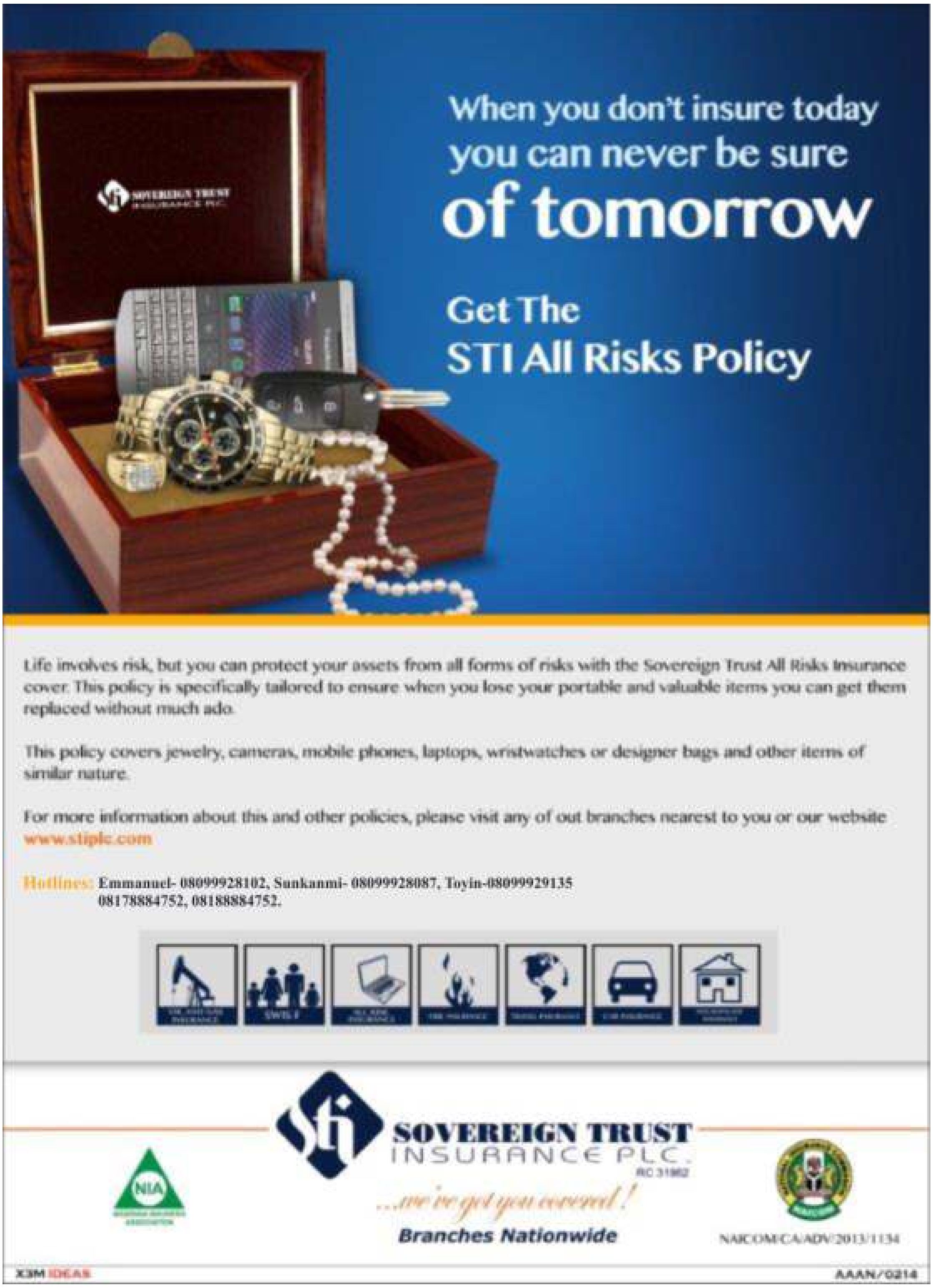
* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 41

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

Timeless Operations

In today's tech world of 24/7 business activities; our focus demands continuous drive towards expanded indemnity penetrations in all segments of our economy.

Aerial View; outer Marina, Lagos, Nigeria.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1 Net premium income

Premium earned by principal class of business

in thousands of Nigerian Naira	2016 Gross	2016 Reinsurance	2016 Net	2015 Gross	2015 Reinsurance	2015 Net
Motor	1,227,528	(4,559)	1,222,969	1,442,196	(273,902)	1,168,294
Fire and property	1,107,043	(206,654)	900,389	967,334	(182,745)	784,589
General accident	834,984	(191,094)	643,890	968,989	(211,416)	757,573
Marine and aviation	598,224	(152,317)	445,907	616,820	(156,056)	460,764
Oil and gas	2,235,192	(2,095,631)	139,561	2,849,497	(2,224,009)	625,488
Car and engineering	396,883	(69,319)	327,564	287,388	(56,216)	231,172
	6,399,854	(2,719,574)	3,680,280	7,132,224	(3,104,344)	4,027,880
Change in unearned premium	363,275	(126,141)	237,134	(139,871)	46,226	(93,645)
Total premium income	6,763,129	(2,845,715)	3,917,414	6,992,353	(3,058,118)	3,934,235

2 Commission income

in thousands of Nigerian Naira	2016	2015
Motor	369	679
Fire and property	37,835	55,512
General accident	36,559	60,979
Marine and aviation	31,615	50,240
Oil and gas	235,925	214,176
Car and engineering	11,822	29,876
	354,125	411,462

Commission income represents commission received on direct business and transactions ceded to re-insurance during the year. It is recognised over the life of the contract.

NOTES TO THE FINANCIAL STATEMENTS Cont.

3 Net claims expenses

in thousands of Nigerian Naira	Notes	2016	2015
Gross claims paid	30.1	1,395,324	1,736,410
Changes in outstanding claims provision		155,091	(166,810)
Gross claims incurred	29.1	1,550,415	1,569,600
Re-insurance recoverable:			
Claims recoveries		(89,067)	(94,492)
Changes in outstanding claims due from reinsurers		(20,487)	31,403
		1,440,861	1,506,511

4 Underwriting expenses

Acquisition costs incurred:			
Commission paid	23	899,900	921,384
Changes in deferred acquisition costs		71,524	1,000
Commission incurred	23	971,424	922,384
Maintenance cost		207,532	243,216
		1,178,956	1,165,600

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

5 Investment income

in thousands of Nigerian Naira	Notes	2016	2015
Net income on investment properties	26	11,096	21,085
Dividend income		9,866	9,837
Interest income		260,326	183,139
		281,288	214,061

6 Fair value (loss)/gain on quoted equities

Stock trading (loss)/income		(17,952)	17,534

The current year loss realised on stock trading arise as a result of trading activities and depreciation which was occasioned by marking the equity portfolio to market on a monthly basis in the course of the year.

NOTES TO THE FINANCIAL STATEMENTS Cont.

in thousands of Nigerian Naira	Notes	2016	2015
7 Share of profit from associate			
Share of profit from associate	25.1	8,753	8,902
8 Net fair value gain on investment properties			
Fair value gain on investment properties	26	14,864	7,971
9 Gain on disposal of property, plant and equipment			
Gain on disposal of property, plant and equipment		3,282	2,228
10 Other operating income			
Recovery of bad debt		2,621	-
Sundry income		14,529	69,547
		17,150	69,547
11 Management expenses			
Employee benefits expense	12	810,195	761,648
Other expenses	13	540,347	587,343
Depreciation on property, plant and equipment	28	114,596	84,084
Bad debt written off		83,294	-
Directors fee and allowance		17,196	24,055
Amortisation of intangible assets	27	15,036	10,829
Auditors' remunerations		8,500	7,500
		1,589,164	1,475,459
12 Employee benefits expense			
Wages and salaries		754,327	684,224
Defined contribution pension costs		32,288	42,298
Defined benefit plan		23,580	35,126
		810,195	761,648

NOTES TO THE FINANCIAL STATEMENTS Cont.

13 Other expenses

in thousands of Nigerian Naira	Notes	2016	2015
Advertising		60,428	89,052
Fuel, Electricity & Energy		51,572	54,573
NAICOM and association dues		46,820	49,384
Bank charges		41,120	50,764
Rent and rate		36,861	42,504
Insurance		34,726	40,441
Office building maintenance and security		29,586	26,649
Professional fees		29,861	48,785
Transport and travelling expenses		24,468	24,902
Forms and printing expenses		20,664	5,823
Data processing		19,906	17,932
Gift		19,598	19,702
Staff training & education		18,511	23,928
Automobile expenses		15,846	12,901
Telephone expenses		12,228	12,837
Annual general meeting expenses		11,879	10,803
Equipment maintenance & repairs		10,021	6,147
Contribution to I.T.F levy		7,857	5,104
Office and stationery expenses		6,915	7,556
Local government dues		5,820	2,211
Hotel accommodation		5,607	5,387
Entertainment		5,093	5,703
Share increase expenses		4,996	-
Contribution to NSITF		4,285	5,202
Courier and postages expenses		3,547	3,909
Periodicals & Books		2,677	2,971
Contribution & donation		2,495	2,450
Club membership & subscriptions		2,364	2,718
SEC and NSE expenses		1,667	1,077
Unrealised foreign exchange difference		1,231	1,816
Tax consultancy expenses		1,068	3,734
Staff uniforms		630	-
Research and development		-	378
		540,347	587,343

14 Finance costs

	Notes	2016	2015
Foreign exchange difference on Daewoo Bond	31	307,398	-
Interest on Daewoo Bond		17,570	87,884
		324,968	87,884

15 Income tax expense

The major components of income tax expense for the year ended 31 December 2016 and 2015 are:

in thousands of Nigerian Naira		2016	2015
15.1 *Current income tax expense/(benefit)*			
Current income tax:			
Minimum Tax *		36,242	-
Education tax		4,832	-
IT Development Levy (NITDA)		1,326	4,857
		42,400	4,857
Deferred tax benefit:			
Origination of temporary differences	22.2	(21,017)	(132,220)
		(21,017)	(132,220)
Total income tax expense/(benefit) to profit or loss		21,383	(127,363)

15.2 *Reconciliation of income tax charge/(benefit)*

	2016	2015
Profit before income tax	44,975	430,486
Tax at Nigerian's statutory income tax rate of 30%	13,493	129,146
Disallowable expenses		
Tax exempt income	(13,493)	(76,442)
Informaion Technology	1,326	4,857
Utilisation of aborsed capital allowance	-	(52,704)
Tax effect of temporary differences	(21,017)	(132,220)
Education tax @2% of assessable profit	4,832	-
Minimum tax	36,242	-
Total income tax charged/(benefit) for the year	21,383	(127,363)

* In 2016, the Company was assessed based on minimum tax: In line with Section 33, of Companies Income Tax Act 2004 of Federation of Republic of Nigeria, where in any year of assessment the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the company the minimum tax as prescribed in subsection (2) of this section.

NOTES TO THE FINANCIAL STATEMENTS Cont.

16 Earnings per share

Basic/diluted earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary share outstanding at the reporting date.

The following reflects the profit and share data used in the basic/diluted earnings per share computations:

in thousands of Nigerian Naira	2016	2015
Profit after income tax	23,592	557,849
Weighted average number of ordinary shares for basic EPS	8,340,824	7,851,135
Effect of dilution:		
Right issues	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	8,340,824	7,851,135
Basic earnings per ordinary share (kobo)	0.3	7.1
Diluted earnings per ordinary share (kobo)	0.3	7.1

There have been no other transactions involving ordinary share or potential ordinary share between the reporting date and the date of completion of these financial statements.

There is not potential ordinary shares as at year end.

17 Components of other comprehensive income

in thousands of Nigerian Naira	2016	2015
To be reclassified to profit or loss in subsequent periods		
Unrealised net losses arising from available for sale investment securities	(5,155)	(12,245)
Other comprehensive income for the year, net of tax	(5,155)	(12,245)
Not to be reclassified to profit or loss in subsequent periods		
Actuarial gain in defined gratuity scheme	23,581	31,911
Effect of tax at 30% on actuarial gain	(7,074)	-
	16,507	31,911
Revaluation gain on building	250,412	-
Effect of tax at 30%	(75,124)	-
	175,288	-
Total	191,795	31,911
Other comprehensive income, net of tax	186,640	19,666

NOTES TO THE FINANCIAL STATEMENTS Cont.

18 Cash and cash equivalents

in thousands of Nigerian Naira	31 December 2016	31 December 2015
Cash on hand	-	8,227
Bank balances	452,108	986,653
Short-term deposits (including demand and time deposits)	2,563,223	1,587,815
	3,015,331	2,582,695

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All short-term deposits are subject to an average variable interest rate of 11% per annum (2015: 11%).

19 Investment securities

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Available-for-sale financial assets	19.1	187,926	459,283
Fair value through profit or loss	19.2	199,881	233,606
Loans and receivables at amortised cost	19.3	32,703	72,929
Held-to-maturity	19.4	142,336	164,086
		562,846	929,904

19.1 *Available-for-sale financial assets*

Treasury bill	21,380	20,000
Equity securities at cost	166,546	127,974
Placements with bank	-	311,309
	187,926	459,283

19.2 *Fair value through profit or loss*

Equity investments	199,881	233,606

19.3 *Loans and receivables at amortised cost*

Mortgage loan	32,703	39,830
Loans to organisation	-	33,099
	32,703	72,929

The carrying amounts of loans and receivables as disclosed above approximate their fair value at the reporting date.

19.4 *Held-to-maturity*

Federal Government bonds	81,190	124,086
State Government bonds	40,719	20,000
Corporate bonds	20,427	20,000
	142,336	164,086

Fair value		
Bond securities	130,575	129,516

NOTES TO THE FINANCIAL STATEMENTS Cont.

19 Investment securities - continued

19.5 *Carrying values of financial instruments*

in thousands of Nigerian Naira	Available-for Sale	Fair value through profit or loss	Loans and Receivables	Held-to Maturity	Total
At 1 January 2015	319,242	320,550	187,164	40,000	866,956
Purchases	281,898	222,913	-	124,086	628,897
Fair value gain	-	17,534	-	-	17,534
Maturities	-	-	(114,235)	-	(114,235)
Disposals	(129,612)	(327,391)	-	-	(457,003)
Fair value loss recorded in other comprehensive income	(12,245)	-	-	-	(12,245)
At 31 December 2015	459,283	233,606	72,929	164,086	929,904
Purchases	75,160	-	-	20,000	95,160
Fair value loss	-	(17,952)	-	-	(17,952)
Maturities	(341,362)	-	(7,127)	(41,750)	(390,239)
Disposals	-	(15,773)	-	-	(15,773)
Fair value loss recorded in other comprehensive income	(5,155)	-	-	-	(5,155)
Written off in the year	-	-	(33,099)	-	(33,099)
At 31 December 2016	187,926	199,881	32,703	142,336	562,846

Fair value of financial assets and liabilities not carried at fair values

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements i.e. Loans and receivables.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), demand deposits and savings accounts without a specified maturity, the carrying amounts approximate to their fair value. The carrying amounts of loans and receivables as disclosed above approximate fair value at the reporting date.

Unquoted investment carried at cost

Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Company to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investments.
This investment can be disposed through private placement.

19 Investment securities - continued

19.6 *Determination of fair value and fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by
Level 1: Quoted (unadjusted) prices in active markets for identical assets
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

in thousands of Nigerian Naira	Level 1	Level 2	Level 3	Total
31 December 2016				
Available for sale: equity securities	21,380	-	-	21,380
Held-to-maturity: debt securities	-	130,575	-	130,575
Fair value through profit or loss	199,881	-	-	199,881
Available for sale: Equity securities at cost	-	-	166,546	166,546

During the year ended 31 December 2016, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

31 December 2015				
Available for sale: equity securities	331,309	-	-	331,309
Held-to-maturity: debt securities	-	129,516	-	129,516
Fair value through profit or loss	233,606	-	-	233,606
Available for sale: Equity securities at cost	-	-	127,974	127,974

During the year ended 31 December 2015, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

20 Trade receivables

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Insurance receivables	20.1	308,428	115,751

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

NOTES TO THE FINANCIAL STATEMENTS Cont.

20 Trade receivables - continued

20.1 *Analysis of insurance receivables by counter party*

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Gross			
Due from insurance brokers		297,673	114,255
Due from insurance companies		10,755	1,496
		308,428	115,751

21 Reinsurance assets

Reinsurance share of outstanding claims		284,647	264,160
Prepaid reinsurance	21.1	1,431,797	1,557,939
		1,716,444	1,822,099

At 31 December 2016, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from this exercise. The carrying amounts disclosed above approximate the fair value at the reporting date.

21.1 The movement in prepaid reinsurance

At 1 January		1,557,939	1,456,375
Additions during the year		2,719,573	3,159,682
Recognised in profit or loss	1	(2,845,715)	(3,058,118)
At 31 December		1,431,797	1,557,939

22 Taxation

22.1 *Current income tax payable*

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
At the beginning of the year		17,108	32,937
Amounts recorded in the profit or loss	15.1	42,400	4,857
Payments made during the year		(13,350)	(20,686)
		46,158	17,108

22.2 *Deferred tax assets*

Deferred tax asset		151,764	212,945
		151,764	212,945

Movement in deferred tax assets

At the beginning of the year		212,945	80,725
Amounts recorded in OCI in respect of revaluation surplus		(75,124)	-
Amounts recorded in OCI in respect of gain on gratuity		(7,074)	-
Amounts recorded in the profit or loss	15.1	21,017	132,220
		151,764	212,945

Deferred tax assets is attributable to the following:

Property, plant and equipment		100,901	186,213
Investment property		(4,460)	-
Defined benefit obligation		55,323	26,732
		151,764	212,945

23 Deferred acquisition costs

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

in thousands of Nigerian Naira	Notes	Fire	Motor	General accident	Engi-neering	Marine & aviation	Oil and gas	Total
At 1 January 2015		72,278	122,742	94,013	20,265	45,620	213,901	568,819
Expenses deferred		163,716	146,770	156,282	61,800	134,841	257,976	921,384
Amortisation	4	(163,843)	(146,986)	(156,447)	(61,835)	(134,921)	(258,352)	(922,384)
At 31 December 2015		72,151	122,526	93,848	20,230	45,540	213,525	567,819
Expenses deferred		239,263	172,841	188,006	84,427	140,273	75,090	899,900
Amortisation	4	(249,706)	(266,029)	(209,156)	(77,247)	(141,755)	(27,531)	(971,424)
At 31 December 2016		61,708	29,338	72,698	27,410	44,057	261,083	496,295
Current		61,708	29,338	72,698	27,410	44,057	261,083	496,295
Non-current		-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS Cont.

24 Other receivables and prepayments

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Staff debtors		7,673	6,111
Prepayments		48,204	124,382
Advance payment for head office building		-	300,000
		55,877	430,493

The carrying amounts disclosed above approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year.

25 Investment in associate

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Investment in STI Leasing		74,200	74,200
Share of accumulated loss in STI Leasing	25.1	(7,343)	(16,096)
		66,857	58,104

25.1 Analysis of share of associate loss

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Opening balance		(16,096)	(24,998)
Share of profit during the year	7	8,753	8,902
		(7,343)	(16,096)

The Company has 43% interest in STI Leasing Limited, which is involved in Leasing services to private and public sector contributors. STI Leasing Limited was incorporated as a Limited Liability Company under the Companies and Allied Matters Act, CAP C20 Laws of the Federation 2004 and licensed as a Leasing Company. STI Leasing Limited is domiciled in Nigeria and its registered office is at 22 Keffi Street Ikoyi Lagos. Sovereign Trust Insurance Plc does not have control but only has significant influence as it does not control the Board of Directors.

26 Investment properties

in thousands of Nigerian Naira		31 December 2016	31 December 2015
At the beginning of the year		1,358,256	1,339,084
Additions		6,769	11,201
Disposal		(198,435)	-
Net fair value gain	8	14,864	7,971
At the end of the year		1,181,454	1,358,256

26 Investment properties - Continued

Investment properties are stated at fair value, which has been determined based on valuations performed by Gerry Iputu & Partners. (FRC/2013/NIESV/0000000402), J. Ajayi Patunola & Co (FRC/2013/000000000679), Rogba Orimolade & Co. (FRC/2012/NIESV/0000000017) and Barin Epega & Company (FRC/2012/NIESV/00000000597) accredited independent valuers as at 31 December 2016. The valuers are specialists in valuing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and other sectors specific peculiarities corroborated with available data derived from previous experiences.

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

There are no restrictions on the realisability of investment property or remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

in thousands of Nigerian Naira	Note	31 December 2016	31 December 2015
Rental income derived from investment properties		19,855	23,996
Investment properties related expenses		(8,759)	(2,911)
Net profit arising from investment properties carried at fair value	5	11,096	21,085

The fair value disclosure for investment properties is as follow

	Fair value measurement using			
in thousands of Nigerian Naira	Quoted prices in active market Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Date of valuation: 31 December 2016				
Investment properties	-	-	1,181,454	1,181,454
Date of valuation: 31 December 2015				
Investment properties	-	-	1,358,256	1,358,256

During the reporting year ended 31 December 2016, there were no transfers between level 1 and level 2 and in and out of level 3.

NOTES TO THE FINANCIAL STATEMENTS Cont.

26 Investment properties - Continued

Description of valuation techniques used and key inputs to valuation on investment properties:

The valuation of the properties is based on the price for which comparable land and properties are being exchanged and/or are being marketed for sale. Therefore, the market-approach Method of Valuation was used.

This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

The items of investment properties are as shown below:

in thousands of Nigerian Naira	31 December 2016	31 December 2015
May fair gardens	32,000	32,000
Ibeshe properties	50,000	43,000
Agbara Estate Properties	203,707	203,705
Sunrise Estate Ipaja	37,000	37,000
Solteby Apartment	32,431	27,000
Investment Properties along Epie Swali Road Yenagoa	60,670	51,416
Investment Properties in Emerald court Victoria Island	125,000	123,200
Investment Properties at Alagbaka Junction Akure	390,646	382,500
Investment Properties along Awolowo Road Ikoyi	250,000	260,000
Royal Gardens Estate	-	55,002
Damac Properties	-	93,433
Investment Properties at old Yaba Road	-	50,000
	1,181,454	1,358,256

The movement in investment properties is shown as below:
31 December 2016

in thousands of Nigerian Naira	31 December 2015	Additions	Disposal	Fair value gain/(loss)	31 December 2016
Property details					
May fair gardens	32,000	-	-	-	32,000
Ibeshe properties	43,000	6,769	-	231	50,000
Agbara Estate Properties	203,706	-	-	-	203,706
Sunrise Estate Ipaja	37,000	-	-	-	37,000
Solteby Apartment	27,000	-	-	5,433	32,433
Investment Properties along Epie Swali Road Yenagoa	51,415	-	-	9,255	60,670
Investment Properties in Emerald court Victoria Island	123,200	-	-	1,800	125,000
Investment Properties at Alagbaka Junction Akure	382,500	-	-	8,145	390,645
Investment Properties along Awolowo Road Ikoyi	260,000	-	-	(10,000)	250,000
Royal Gardens Estate	55,002	-	(55,002)	-	-
Damac Properties	93,433	-	(93,433)	-	-
Investment Properties at old Yaba Road	50,000	-	(50,000)	-	-
	1,358,256	6,769	(198,435)	14,864	1,181,454

NOTES TO THE FINANCIAL STATEMENTS Cont.

26 Investment properties - Continued

31 December 2015

in thousands of Nigerian Naira	31 December 2014	Additions	Disposal	Fair value gain/(loss)	31 December 2015
Property details					
May fair gardens	30,000	-	-	2,000	32,000
Ibeshe properties	43,000	-	-	-	43,000
Agbara Estate Properties	203,706	-	-	-	203,706
Sunrise Estate Ipaja	37,000	-	-	-	37,000
Solteby Apartment	27,000	-	-	-	27,000
Investment Properties along Epie Swali Road Yenagoa	47,299	-	-	4,116	51,415
Investment Properties in Emerald court Victoria Island	121,999	1,201	-	-	123,200
Investment Properties at Alagbaka Junction Akure	380,645	-	-	1,855	382,500
Investment Properties along Awolowo Road Ikoyi	250,000	10,000	-	-	260,000
Royal Gardens Estate	55,002	-	-	-	55,002
Damac Properties	93,433	-	-	-	93,433
Investment Properties at old Yaba Road	50,000	-	-	-	50,000
	1,339,084	11,201	-	7,971	1,358,256

27 Intangible assets

in thousands of Nigerian Naira		31 December 2016	31 December 2015
Computer software			
Cost:			
At the beginning of the year		48,000	33,522
Additions		6,404	14,478
At the end of the year		54,404	48,000
Accumulated amortization:			
At the beginning of the year		18,576	7,747
Amortisation charge	(Note 10)	15,036	10,829
At the end of the year		33,612	18,576
Carrying amount		20,792	29,424

28 Propetry, plant and equipment

in thousands of Nigerian Naira	Land	Building	Leasehold improvements	Office equipment	Furniture & fittings	Plant & machinery	Motor vehicles	Work in progress	Computer & equipment	Total
Cost/Revaluation										
At 1 January 2015	67,302	231,682	134,014	77,036	109,472	56,239	917,274	165,447	191,604	1,950,071
Additions	-	-	-	1,504	491	17,185	27,350	90,412	6,425	143,367
Disposal	-	-	-	-	-	-	(30,980)	-	-	(30,980)
At 31 December 2015	67,302	231,682	134,014	78,540	109,963	73,424	913,644	255,860	198,029	2,062,458
Additions	-	300,000	1,550	3,693	978	2,000	29,895	-	4,159	342,275
Reclassification from other assets	-	300,000	-	-	-	-	-	-	-	300,000
Disposal	-	-	-	-	-	-	(68,915)	-	-	(68,915)
Revaluation adjustment	-	250,412	-	-	-	-	-	-	-	250,412
At 31 December 2016	67,302	1,082,094	135,564	82,233	110,940	75,424	874,624	255,860	202,188	2,886,230
Accummulated depreciation										
At 1 January 2015	-	44,497	47,590	74,065	88,003	29,802	696,553	-	186,463	1,166,973
Charge	-	5,577	8,642	780	3,256	6,112	56,356	-	3,360	84,084
Disposal	-	-	-	-	-	-	(30,980)	-	-	(30,980)
At 31 December 2015	-	50,074	56,232	74,845	91,259	35,914	721,929	-	189,823	1,220,077
Charge	-	3,924	14,345	1,363	5,975	13,512	70,733	-	4,745	114,596
Disposal	-	-	-	-	-	-	(68,915)	-	-	(68,915)
At 31 December 2016	-	53,998	70,577	76,208	97,234	49,426	723,747	-	194,567	1,265,758
Carrying amount										
At 31 December 2016	67,302	1,028,096	64,987	6,025	13,707	25,998	150,877	255,860	7,621	1,620,472
At 31 December 2015	67,302	181,608	77,782	3,695	18,704	37,510	191,715	255,860	8,206	842,381

The addition to building represent the N300 million balance payment in the year in respect of the head office building which was fully acquired during the year. A N300 million advance payment was made in the prior year. The Company has been occupying this premises on lease since inception. However, rent payment was stopped immediately negotiation for purchase of the building commenced.

i No leased assets are included in the above property, plant and equipments (2015: Nil).
ii There were no capital commitment contracted or authorised as at the reporting date (2015: Nil).
iii There were not capitalised borrowing cost related to the acquisition of property, plant and equipment during the year (2015: Nil).
iv None of the assets are pledged during the year (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS Cont.

28 Property, plant and equipment - Continued
Revaluation of buildings

Building at 17, Adetokunbo Ademola, Victoria Island, Lagos (with initial cost of ₦600 million) was valued on the basis of an open market valuation for existing use as of 31 December 2016 for ₦850,000,000 by Diya Fatimilehin & Co. Chartered Surveyors, Valuers and Real Estate Consultants.

This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

The revalued building is the head office building at Adetokunbo Ademola, Victoria Island, Lagos, Nigeria. The building enjoys vertical expansion with a total number of 3 structures in the premises. The gross floor area of the building is 564.16 sqm2. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

The fair value hierarchy for the fair valuation of the building is in level 3.

If building were measured using the cost model, the carrying amounts would be as follows:

in thousands of Nigerian Naira	31 December 2016	31 December 2015
Cost	531,682	231,682
Accumulated depreciation	(55,131)	(49,131)
	476,551	182,551

29 Statutory deposit

The statutory deposit of N315,000,000 represents the amount deposited with the Central Bank of Nigeria as at 31 December 2016 (31 December 2015: N315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. The deposit has been tested for adequacy as at 31 December 2016 and found to be adequate.

Interest income earned at annual average rate of 10.37% per annum (2015: 11.74%) and this is included within investment income. However, access to the deposit is restricted.

NOTES TO THE FINANCIAL STATEMENTS Cont.

30 Insurance contract liabilities

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Claims reported by policyholders		574,470	468,153
Claims incurred but not reported (IBNR)		497,783	449,009
Outstanding claims provisions	30.1	1,072,253	917,162
Unearned premiums	30.3	1,766,347	2,129,622
Total insurance contract liabilities		2,838,600	3,046,784
Current		2,838,600	3,046,784
Non-current		-	-

30.1 *Claims reported by policyholders*

At 1 January		917,162	1,083,972
Claims incurred in the current year	3	1,550,415	1,569,600
Claims paid during the year	3	(1,395,324)	(1,736,410)
		1,072,253	917,162

The aging analysis for claims reported and losses adjusted

Days		
0 - 90	101,020	365,303
91 - 180	185,547	69,000
181 - 270	157,677	29,500
271 - 360	111,732	-
361 and above	18,464	4,350
Incurred but not reported (IBNR)	497,783	449,009
	1,072,253	917,162

Analysis of reported claims per class of insurance

Motor Vehicle	232,370	166,152
Fire and property	33,682	189,092
Marine and Aviation	287,023	127,220
General accidents	83,250	175,190
C.A.R. Engineering	137,288	18,618
Energy	298,640	240,890
	1,072,253	917,162

NOTES TO THE FINANCIAL STATEMENTS Cont.

30 *Insurance contract liabilities - continued*

30.2 *Claims incurred but not reported*

This represents additional provision as a result of actuarial valuation as at year end.

30.3 *The movement in unearned premium during the year*

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
At 1 January		2,129,622	1,989,751
Premiums written in the year	1	6,399,854	7,132,224
Premiums earned during the year	1	(6,763,129)	(6,992,353)
		1,766,347	2,129,622

31 Debt securities issued

At 1 January		531,976	806,590
Repayments		(88,918)	(274,614)
Foreign exchange difference	14	307,398	-
		750,456	531,976

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.

32 Bank overdrafts

in thousands of Nigerian Naira	31 December 2016	31 December 2015
Bank overdrafts	108,641	-

These represent the outstanding balance on bank account which overdraft facilities were agreed on during the year. These facilities were obtained to augment working capital for the Company. They are at interest rates ranging between 17% to 21% per annum. The carrying value of bank overdraft at year end reasonably approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS Cont.

33 Trade payables

in thousands of Nigerian Naira	31 December 2016	31 December 2015
Due to insurance companies	20,520	200,371
Due to reinsurance companies	205,433	113,032
	225,953	313,403
Current	225,953	313,403
Non-current	-	-

This represents the amount payable to insurance and reinsurance companies as at year end. The carrying amounts of trade payable as disclosed above approximate their fair value at the reporting date.

34 Other payables and accruals

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Lease creditors		10,240	35,406
Sundry creditors		55,420	16,110
Unclaimed dividends		56,258	68,400
		121,918	119,916
Current		121,918	119,916

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

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

35 Retirement benefit obligation

Defined contribution plan
The defined contribution plan is a pension plan under which the Company pays fixed contributions in line with the Pension Reform Act 2014. There is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Company.

Defined benefit plan
A defined benefit plan is a gratuity plan that defines an amount of gratuity benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the reporting date of high–quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

NOTES TO THE FINANCIAL STATEMENTS Cont.

35 Retirement benefit obligation - Continued

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Gratuity		184,406	210,488

35.1 *Net benefit expense 2016 (recognised in statement of profit or loss)*

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Interest cost		23,580	35,126

35.2 *Movement of gratuity*

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
At the beginning of the year		210,488	240,689
Interest cost		23,580	35,126
Actuarial gain		(23,581)	(31,911)
Benefits paid		(26,081)	(33,416)
		184,406	210,488

The company gratuity plan is on a winding down basis. The Company stopped the scheme in 2013 and only staff who are qualified at the end of 2013 are qualified to benefit from the scheme.

The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2016	2015
	%	%
Discount rate	16	12
Inflation rate	12	9
Rate of salary increases	16	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	7.0%
45 – 50	4.0%
51 – 55	3.0%
56 – 59	0.0%

NOTES TO THE FINANCIAL STATEMENTS Cont.

36 Issued and paid up share capital

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Authorised share capital			
10,500,000,000 Ordinary share of N0.50k each		5,250,000	5,250,000
Ordinary shares issued and fully paid			
8,340,823,296 Ordinary share of N0.50k each		4,170,412	4,170,412
Movement during the period			
As at January 1		4,170,412	3,435,879
Right issue		-	734,533
		4,170,412	4,170,412

37 Share premium

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
As at year end		116,843	116,843

38 Contingency reserve

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
At the beginning of the year		1,885,195	1,671,228
Transfer from retained earnings		191,996	213,967
		2,077,191	1,885,195

Contingency reserve in respect of non-life business is the higher of 20% of net profit and 3% of total premium as specified in Section 21 (2) of the Insurance Act 2003.

39.1 Revaluation reserve

This is revaluation surplus in respect of building in line with the Company's accounting policy.

39.2 Available-for-sale reserve

The available-for-sale reserve represents the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

39.3 Accumulated losses

Accumulated losses is the carried forward recognised income net of expenses plus current period profit or loss attributable to shareholders.

NOTES TO THE FINANCIAL STATEMENTS Cont.

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

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Cash and cash equivalents per statement of financial position		3,015,331	2,582,695
Bank overdraft		(108,641)	-
Cash and cash equivalents per statement of cash flows		2,906,690	2,582,695

41 Correction of errors

In the course of the performing 2016 audit of the financial statements, an error that affect 2015 financial statement was discovered. This error understated the Company's Share Capital to the tune of N24,359,951 and this arose from the Company's proceed from right issue offered in 2015 which was erroneously recognised as interest income instead of share capital.

These errors have been corrected by restating each of the affected financial statements line items for the prior year, as follows:

Impact on equity increase

in thousands of Nigerian Naira		31 December 2015
Issued and paid up share capital		(24,360)
Net impact on equity	-	24,360

Impact on statement of profit or loss	
Investment income	(24,360)
Net impact on profit for the year	(24,360)
Attributable to:	
Equity holders of the Company	(24,360)

Impact on basic and diluted earnings per share (EPS) decrease in EPS

Earnings per share in kobo:	
Basic, profit for the year attributable to ordinary equity holders of the Company	(0.29)
Diluted, profit for the year attributable to ordinary equity holders of the Company	(0.29)

Impact on tax

The effect of correcting this prior year error would be to increase deferred tax asset at the end of 2015 by N7,308,000. This is due to the increase in taxable loss as a result of a reduction in investment income.

However, consistent with the requirements of IAS 12, management has decided not to recognise this increase in deferred tax asset because it is not probable that the deferred tax asset will be recovered in the foreseeable future. The company has accumulated retained loss and taxable loss position as result of consistent losses over the years and the recoverability of additional increase in deferred tax asset cannot be justified.

NOTES TO THE FINANCIAL STATEMENTS Cont.

41 Correction of errors - Continued

Impact on statement of cash flows

in thousands of Nigerian Naira	31 December 2015
Net cash flows used in financing activities	24,360
Net cash flows used in investing activities	(24,360)
Net impact on cash and cash equivalents as at 31December	-

The error has impact on Statement of statement of profit or loss, statement of financial position, Statement of Cash Flows, Statement of changes in Equity, earnings per share and related notes at the end of the year. Thus we have decided to correct the errors in accordance with the requirement of IAS 8 by restating the comparative information presented in the financial statements of the current year. This error in respect of the measurement and presentation in the financial statements was not made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. This was an error committed by management when recognising proceeds from right issue in the year.

Based on the above management has agreed to restate the prior year statement of financial position, Statement of profit or loss, Statement of Cash flow, statement of changes in equity, earnings per share and related disclosures to ensure fair presentation. Given that this error occurred in the prior year ended 31 December 2015. It does not have any impact on the third statement of financial position. Thus no statement of financial position is presented at the beginning of the comparative period (i.e. 1 January 2015) as required by IAS 1.

42 Reclassification

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

Below are the reclassifications.

in thousands of Nigerian Naira	31 December 2015
i. Investment income	
Amount previously reported	258,866
Reclassification of stock trading income to fair value (loss)/gain on quoted equities (see note ii below)	(17,534)
Correction of prior year error (see note 41 above)	(24,360)
Reclassification of rental expenses from management expenses (see note vi below)	(2,911)
	214,061

in thousands of Nigerian Naira	31 December 2015
ii. Fair value (loss)/gain on quoted equities	
Amount previously reported	-
Reclassification of stock trading income from investment income (see note i above)	17,534
	17,534

in thousands of Nigerian Naira	31 December 2015
iii. Net fair value gain on investment properties	
Amount previously reported	-
Reclassification of fair value gain on investment properties from other income (see note v below)	7,971
	7,971

42 Reclassification - Continued

in thousands of Nigerian Naira	31 December 2015
iv. Gain on disposal of property, plant and equipment	
Amount previously reported	-
Reclassification of gain on disposal of property, plant and equipment from other income (see note v below)	2,228
	2,228

in thousands of Nigerian Naira	31 December 2015
v. Other operating income	
Amount previously reported	79,746
Reclassification of fair value gain on investment properties to net fair value gain on investment properties (see note iii above)	(7,971)
Reclassification of gain on disposal of property, plant and equipment to gain on disposal of property, plant and equipment (see note iv	(2,228)
	69,547

in thousands of Nigerian Naira	31 December 2015
vi. Management expenses	
Amount previously reported	(1,425,790)
Reclassification of rental expenses investment income (see note i above)	2,911
Reclassification of bank charges from finance cost (see note viii below)	(50,764)
Reclassification of unrealised foreign exchange difference from foreign exchange difference (see note vii below)	(1,816)
	(1,475,459)

in thousands of Nigerian Naira	31 December 2015
vii. Foreign exchange difference	
Amount previously reported	(1,816)
Reclassification of unrealised foreign exchange difference to management expenses (see note vi above)	1,816
	-

in thousands of Nigerian Naira	31 December 2015
viii. Finance costs	
Amount previously reported	(138,648)
Reclassification of bank charges to management expenses (see note vi above)	50,764
	(87,884)

NOTES TO THE FINANCIAL STATEMENTS Cont.

43 Reconciliation of profit before tax to cash flows provided by operating activities:

in thousands of Nigerian Naira	Notes	31 December 2016	31 December 2015
Profit before income tax		44,975	430,486
Adjustments for non-cash items:			
Fair value loss/(gain) on quoted equities		17,952	(17,534)
Loans and receivable written off		33,099	-
Profit from sale of property and equipment	9	(3,282)	(2,228)
Investment income		-	(216,972)
Depreciation of property, plant and equipment	28	114,596	84,084
Amortisation of intangible assets	27	15,036	10,829
Fair value gain on investment properties	8	(14,864)	(7,971)
Share of profit in associate	7	(8,753)	(8,902)
Interest cost on retirement benefit	35.2	23,580	35,126
Foreign exchange loss on cash and cash equivalents	11	1,231	-
Unrealised exchange loss foreign borrowing	14	307,398	-
Cash flow from operating profit before changes in *operating assets and liabilities*		530,968	306,918
Changes in operating assets and liabilities			
Increase in trade receivables		(192,677)	(58,200)
Decrease in re-insurance assets		105,655	189,742
Decrease in deferred acquisition costs		71,524	1,000
Decrease in other receivables and prepayments		74,616	28,217
(Decrease)/increase in trade payables		(87,450)	173,255
Increase in other payables and accruals		2,002	13,611
Increase/(decrease) in outstanding claims		155,091	(166,811)
(Decrease)/increase in unearned premium		(363,275)	139,871
Gratuity paid		(26,081)	(33,416)
Income tax paid		(13,350)	(20,686)
Net cash flows from operating activities		257,023	573,501

NOTES TO THE FINANCIAL STATEMENTS Cont.

44 Related party disclosures

44.1 *Transactions with related parties*

The company did not have any related parties transactions in the year.

44.2 *Compensation of key management personnel:*

Key management personnel is defined as members of the Board of Directors of the Company, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in the dealings with Company.

in thousands of Nigerian Naira	31 December 2016	31 December 2015
Short term employee benefits	13,947	13,286
Post employment pension benefits	1,853	1,687
Total compensation of key management personnel	15,800	14,973

45 Risk management framework

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1 To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
2 To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
3 To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
4 To align the profile of assets and liabilities taking account of risks inherent in the business;
5 To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;

NOTES TO THE FINANCIAL STATEMENTS Cont.

45 Risk management framework - Continued

b Capital management objectives, policies and approach - Continued

6 To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

in thousands of Nigerian Naira	2016	2015
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	5,235,428	5,025,196
Regulatory adjustments	(220,760)	(666,751)
Available capital resources	5,014,668	4,358,445
Minumum capital based required by regulator	3,000,000	3,000,000
Excess in solvency margin	2,014,668	1,358,445

The regulatory adjustments represent assets inadmissible for regulatory reporting purpose. However, current year available capital resources are subject to the Regulators commission review and approval.

The solvency Margin for the Company as at 31 December 2016 is as follows:

in thousands of Nigerian Naira	2016	2015
Admissible assets		
Cash and cash equivalent	3,015,331	2,582,695
Available for sale	187,926	459,283
Fair value through profit and loss	199,881	233,606
Held to maturity	142,336	164,086
Loan and receivables	32,703	72,929
Trade receivables	308,428	115,751
Reinsurance assets	1,716,444	1,822,099
Deferred acquisition cost	496,295	567,819
Staff debtors	7,673	6,111
Investments in associates	66,857	58,104
Investment properties	1,181,454	1,358,256
Property, plant and equipment	1,620,472	842,381
Statutory deposits	315,000	315,000
Total	9,290,800	8,598,120

NOTES TO THE FINANCIAL STATEMENTS Cont.

45 Risk management framework - Continued

b Capital management objectives, policies and approach - Continued

in thousands of Nigerian Naira	2016	2015
Admissible liabilities		
Insurance liabilities	2,838,600	3,046,784
Debt securities	750,456	531,976
Bank overdraft	108,641	-
Trade payables	225,953	313,403
Other payables and accruals	121,918	119,916
Retirement benefit obligations	184,406	210,488
Taxation	46,158	17,108
Total	4,276,132	4,239,675
Solvency margin	5,014,668	4,358,445
The higher of 15% of Net premium income and Shareholders funds	3,000,000	3,000,000
Solvency ratio (%)	1.67	1.45

c Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

d Asset liability management (ALM) framework

The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:
An integral part of the insurance risk management policy, to ensure in each period sufficient cash flows is available to meet liabilities arising from insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risks

a Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.
There is no single counterparty exposure that exceeds 20% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: fire, motor, general accident, engineering, marine and aviation and oil and gas. Risks under non–life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilties.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - Continued

a Insurance risk - continued

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of loss ratio, discount rate and claim handling costs of claim paid for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported (IBNR) for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each below illustrates how the Company's estimate of total claims outstanding for each year has changed at successive year-ends.

46 Insurance and financial risk - Continued

a Insurance risk - continued

Claims Paid Triangulations as at 31 December 2016

	DEVELOPMENT YEARS								
in thousands of Nigerian Naira	1	2	3	4	5	6	7	8	9
Motor									
Accident Year									
2007	161,220	116,717	4,485	311	49	-	-	-	-
2008	169,900	107,836	13,187	3,384	3,405	800	-	-	-
2009	181,552	146,736	15,858	801	704	-	1,143	-	-
2010	225,016	122,872	10,143	693	414	551	-	-	-
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	90	-	-	-	-	-	-
2015	419,353	164,457	-	-	-	-	-	-	-
2016	339,042	-	-	-	-	-	-	-	-
Fire									
Accident Year									
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	92	-	-	-	-
2013	96,493	28,388	24,664	45	-	-	-	-	-
2014	269,309	209,095	5	-	-	-	-	-	-
2015	99,928	190,574	-	-	-	-	-	-	-
2016	139,327	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - Continued

a Insurance risk - continued

Claims Paid Triangulations as at 31 December 2016

	DEVELOPMENT YEARS								
in thousands of Nigerian Naira	1	2	3	4	5	6	7	8	9
General accident									
Accident Year									
2007	78,870	51,047	21,990	5,149	1,109	382	1,342	-	-
2008	107,762	62,614	20,556	4,291	436	-	-	10	-
2009	71,177	74,274	42,344	2,061	2,567	197	899	-	-
2010	56,380	75,169	12,276	13,467	805	1,787	34	-	-
2011	64,532	83,603	16,555	687	3,155	257	-	-	-
2012	134,451	133,618	3,124	7,988	-	-	-	-	-
2013	62,941	23,864	19,583	-	-	-	-	-	-
2014	193,012	103,077	-	-	-	-	-	-	-
2015	96,443	208,591	-	-	-	-	-	-	-
2016	129,179	-	-	-	-	-	-	-	-
Engineering									
Accident Year									
2007	8,083	6,958	3,892	205	-	-	-	-	-
2008	6,219	13,466	-	-	-	-	-	-	-
2009	4,035	6,349	424	516	531	-	57	669	
2010	14,206	26,429	1,836	1,194	113	-	-	-	-
2011	33,165	33,090	19,933	48	18	-	-	-	-
2012	41,347	20,691	343	48	-	-	-	-	
2013	3,266	6,191	6,193	-	-	-	-	-	-
2014	14,750	19,161	-	-	-	-	-	-	-
2015	8,635	18,349	-	-	-	-	-	-	-
2016	14,981	-	-	-	-	-	-	-	-

46 Insurance and financial risk - Continued

a Insurance risk - continued

Claims Paid Triangulations as at 31 December 2016

in thousands of Nigerian Naira	DEVELOPMENT YEARS 1	2	3	4	5	6	7	8	9
Marine									
Accident Year									
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	142,076	112,097	-	-	-	-	-	-	-
2015	44,911	37,147	-	-	-	-	-	-	-
2016	35,286	-	-	-	-	-	-	-	-

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

in thousands of Nigerian Naira	31 December 2016 Gross liabilities	Reinsurance share of liabilities	Net liabilities	31 December 2015 Gross liabilities	Reinsurance share of liabilities	Net liabilities
Accident	232,370	(102,341)	130,029	175,190	(96,099)	79,091
Engineering	33,682	(27,534)	6,148	18,618	(7,722)	10,896
Fire	287,022	(115,044)	171,978	189,091	(117,849)	71,242
Marine	83,250	(39,728)	43,522	127,221	(32,344)	94,877
Motor	137,289	-	137,289	166,152	-	166,152
Oil & Gas	298,640	-	298,640	240,890	(10,146)	230,744
	1,072,253	(284,647)	787,606	917,162	(264,160)	653,002

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - Continued

b Financial risk - continued

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

1 Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

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

3 The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

4 Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.

5 A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit exposure

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2016 and 2015 is the carrying amounts as presented in Notes 17,18,19,20& 23

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

46 Insurance and financial risk-continued

Industry analysis

As at 31 December 2016 in thousands of Nigerian Naira	Financial services	Government	Consumer	Oil & Gas	Other	Total
Loans and receivables	32,703	-	-	-	-	32,703
Other receivables	-	-	-	-	55,877	55,877
Statutory deposit	-	315,000	-	-	-	315,000
Held-to-maturity						
- Debt securities	20,427	121,909	-	-	-	142,336
	53,130	436,909	-	-	55,877	545,916
Reinsurance assets	1,716,444	-	-	-	-	1,716,444
Trade receivables	308,428	-	-	-		308,428
Cash and cash equivalents	3,015,331	-	-	-	-	3,015,331
Total credit risk exposure	5,093,333	436,909	-	-	55,877	5,586,119
As at 31 December 2015						
Loans and receivables	72,929	-	-	-	-	72,929
Other receivables	-	-	-	-	430,493	430,493
Statutory deposit	-	315,000	-	-	-	315,000
Held-to-maturity						
- Debt securities	20,000	144,086	-	-	-	164,086
	92,929	459,086	-	-	430,493	982,508
Reinsurance assets	1,822,099	-	-	-	-	1,822,099
Trade receivables	115,751	-	-	-	-	115,751
Cash and cash equivalents	2,574,468	-	-	-	-	2,574,468
Total credit risk exposure	4,605,247	459,086	-	-	430,493	5,494,826

46 Insurance and financial risk-continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

As at 31 December 2016 in thousands of Nigerian Naira	Investment grade	Neither past-due not impaired Non-investment grade satisfactory	Non-investment grade unsatisfactory	Past-due but not impaired	Total
Loans and receivables	32,703	-	-	-	32,703
Other receivables	-	55,877	-	-	55,877
Statutory deposit	315,000	-	-	-	315,000
Held-to-maturity					
- Debt securities	142,336	-	-	-	142,336
Reinsurance assets	-	-	-	1,716,444	1,716,444
Trade receivables	-	-	-	308,428	308,428
Cash and cash equivalents	3,015,331	-	-	-	3,015,331
Total	3,505,370	55,877	-	2,024,872	5,586,119
As at 31 December 2015					
Loans and receivables	72,929	-	-	-	72,929
Other receivables	-	430,493	-	-	430,493
Statutory deposit	315,000	-	-	-	315,000
Held-to-maturity					
- Debt securities	164,086	-	-	-	164,086
Reinsurance assets	-	-	-	1,822,099	1,822,099
Trade receivables	-	-	-	115,751	115,751
Cash and cash equivalents	2,574,468	-	-	-	2,574,468
Total	3,126,483	430,493	-	1,937,850	5,494,826

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - continued

Age analysis of financial assets past due but not impaired

in thousands of Nigerian Naira	< 30 days	31 to 60 days	61 to 90 days	Total past due but not impaired
At 31 December 2016				
Reinsurance assets	-	-	1,716,444	1,716,444
Trade receivables	308,428	-	-	308,428
Total	308,428	-	1,716,444	2,024,872
At 31 December 2015				
Reinsurance assets	-	-	1,822,099	1,822,099
Trade receivables	115,751	-	-	115,751
Total	115,751	-	1,822,099	1,937,850

Impaired financial assets

At 31 December 2016, there are no impaired reinsurance assets by nature of the business, which is expected to be net off from the Quarterly return reinsurance companies.

For assets to be classified as 'past–due and impaired' contractual payments must be in arrears for more than 90 days.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

1 Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meeting insurance and investment contracts obligations.

2 The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

3 Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls well as specifying events that would trigger such plans.

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual undiscounted interest receivable.

46 Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2015 in thousands of Nigerian Naira	Carrying amount	Up to 1 year	1-3 years	3-5 years	Over 5 years	No maturity date	Total
Financial assets:							
Loans and receivables	32,703	32,703	-	-	-	-	32,703
Other receivables	55,877	55,877	-	-	-	-	55,877
Available-for-sale financial assets	187,926	187,926	-	-	-	-	187,926
Held-to-maturity	142,336	2,064		99,842	40,430	-	142,336
Reinsurance assets	1,716,444	1,716,444	-	-	-	-	1,716,444
Trade receivables	308,428	308,428	-	-	-	-	308,428
Cash and cash equivalents	3,015,331	3,015,331	-	-	-	-	3,015,331
Total financial assets	5,459,045	5,318,773	-	99,842	40,430	-	5,459,045
Financial liabilities							
Insurance contract liabilities	2,838,600	2,838,600	-	-	-	-	2,838,600
Debt issued	750,456	750,456	-	-	-	-	750,456
Trade payables	225,953	225,953	-	-	-	-	225,953
Bank overdraft	108,641	108,641	-	-	-	-	108,641
Other payables and accruals	121,918	121,918	-	-	-	-	121,918
Total financial liabilities	4,045,568	4,045,568	-	-	-	-	4,045,568
Total liquidity gap	1,413,477	1,273,205	-	99,842	40,430	-	1,413,477

46 Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2015 in thousands of Nigerian Naira	Carrying amount	Up to 1 year	1-3 years	3-5 years	Over 5 years	No maturity date	Total
Financial assets:							
Loans and receivables	72,929	72,929	-	-	-	-	72,929
Other receivables	430,493	430,493	-	-	-	-	430,493
Available-for-sale financial assets	459,283	459,283	-	-	-		459,283
Held-to-maturity	164,086	-	-	20,000	144,086	-	164,086
Reinsurance assets	1,822,099	1,822,099	-	-	-	-	1,822,099
Trade receivables	115,751	115,751	-	-	-	-	115,751
Cash and cash equivalents	2,582,695	2,582,695	-	-	-	-	2,582,695
Total financial assets	5,647,336	5,483,250	-	20,000	144,086	-	5,647,336
Financial liabilities							
Insurance contract liabilities	3,046,784	3,046,784	-	-	-	-	3,046,784
Borrowings	531,976	531,976	-	-	-	-	531,976
Trade payables	313,403	313,403	-	-	-	-	313,403
Other payables and accruals	119,916	119,916	-	-	-	-	119,916
Total financial liabilities	4,012,079	4,012,079	-	-	-	-	4,012,079
Total liquidity gap	1,635,257	1,471,171	-	20,000	144,086	-	1,635,257

46 Insurance and financial risk - continued

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

in thousands of Nigerian Naira	Current	Non-current	Total
At 31 December 2016			
Cash and cash equivalents	3,015,331	-	3,015,331
Investment securities			
Available-for-sale financial assets	21,380	166,546	187,926
Loans and receivables	32,703	-	32,703
Fair value through profit or loss	199,881	-	199,881
Held-to-maturity	140,273	2,063	142,336
Trade receivables	308,428	-	308,428
Reinsurance assets	1,716,444	-	1,716,444
Deferred acquisition costs	496,295	-	496,295
Other receivables and prepayments	55,877	-	55,877
Investment in associate	-	66,857	66,857
Investment properties	-	1,181,454	1,181,454
Intangible assets	-	20,792	20,792
Property, plant and equipment	-	1,620,472	1,620,472
Deferred tax assets	-	151,764	151,764
Statutory deposit	-	315,000	315,000
Total Assets	5,986,612	3,524,948	9,511,560
Insurance contract liabilities	2,838,600	-	2,838,600
Trade payables	225,953	-	225,953
Other payables and accruals	121,918	-	121,918
Bank overdraft	108,641	-	108,641
Debt issued	-	750,456	750,456
Employee benefit obligations	184,406	-	184,406
Current income tax payable	46,158	-	46,158
Total Liabilities	3,525,676	750,456	4,276,132

46 Insurance and financial risk - continued

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

in thousands of Nigerian Naira	Current	Non-current	Total
At 31 December 2015			
Cash and cash equivalents	2,582,695	-	2,582,695
Investment securities			
Available-for-sale financial assets	331,309	127,974	459,283
Loans and receivables	39,830	33,099	72,929
Fair value through profit or loss	233,606	-	233,606
Held-to-maturity	144,086	20,000	164,086
Trade receivables	115,751	-	115,751
Reinsurance assets	1,822,099	-	1,822,099
Deferred acquisition costs	567,819	-	567,819
Other receivables and prepayments	430,493	-	430,493
Investment in associate	-	-	58,104
Investment properties	-	1,358,256	1,358,256
Intangible assets	-	29,424	29,424
Property, plant and equipment	-	842,381	842,381
Deferred tax assets	-	212,945	212,945
Statutory deposit	-	315,000	315,000
Total Assets	6,267,688	2,939,079	9,264,871
Insurance contract liabilities	3,046,784	-	3,046,784
Trade payables	313,403	-	313,403
Other payables and accruals	119,916	-	119,916
Debt issued	-	531,976	531,976
Employee benefit obligations	210,488	-	210,488
Current income tax payable	17,108	-	17,108
Total Liabilities	3,707,699	531,976	4,239,675

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The risk management frameworks for each of its components are discussed below:

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - continued

iii Foreign exchange risk

Sovereign Trust Insurance Plc is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The company is exposed to foreign currency through bank balances in other foreign currencies.

The carrying amounts of the company's foreign currency-denominated balances as at end of the year are as follows:

in thousands of Nigerian Naira	2016 Cash & cash equivalents	2015 Cash & cash equivalents
Dollars	426,493	672,395
Euros	7,438	8,661

The Company limits its exposure to foreign exchange to 10% of total investment portfolio. Foreign currency changes are monitored by the investment committee and holdings are adjusted when outside of the investment policy. The company further manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Company's investment income. At the year end, the foreign currency investments held in the portfolio are cash and cash equivalents.

There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The following table details the effect on the profit as at 31 December 2016 from a ₦305/$ (2015:₦196.5/$) closing rate favorable/unfavorable change in US dollars against the Naira with all other variables held constant.

31 December 2016 in thousands of Nigerian Naira	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
Cash and cash equivalents	(4,265)	(17,060)	4,265	17,060
Impact on profit before tax	(4,265)	(17,060)	4,265	17,060
Impact on equity	(2,985)	(11,942)	2,985	11,942

31 December 2015 in thousands of Nigerian Naira	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
Cash and cash equivalents	(6,724)	(26,896)	6,724	26,896
Impact on profit before tax	(6,724)	(26,896)	6,724	26,896
Impact on equity	(4,707)	(18,827)	4,707	18,827

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - continued

The following table details the effect on the profit as at 31 December 2016 from a ₦374.50/€ (2015: ₦214.11/€) closing rate favorable/unfavorable change in Euro against the Naira with all other variables held constant.

31 December 2016 in thousands of Nigerian Naira	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
Cash and cash equivalents	(74)	(298)	74	298
Impact on profit before tax	(74)	(298)	74	298
Impact on equity	(52)	(208)	52	208

31 December 2015 in thousands of Nigerian Naira	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
Cash and cash equivalents	(87)	(346)	87	346
Impact on profit before tax	(87)	(346)	87	346
Impact on equity	(61)	(243)	61	243

Foreign exchange risk

The method used to arrive at the possible risk of foreign exchange rate was based on both statistical and non-statistical analyses. The statistical analysis was based on movement in main currencies for the last five years. This information was then revised and adjusted for reasonableness under the current economic circumstances.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Flexible interest rate instruments expose the Company to fair value interest risk. The risks arising from fluctuations in our interest rate is managed in line with the investment risk policy. We also manage this risk by reducing the portfolio of our interest rate risk sensitive securities as well as fixed most of interest rate income.

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - continued

Interest rate risk - continued

The table below details the interest rate sensitivity analysis of Sovereign Trust Insurance Plc as at 31 December 2016, holding all other variable constant. Based on historical date, 100 & 500 basis points changes are deemed to be reasonably possible and are used when reporting interest rate risk.

31 December 2016		Increase (bp)		Decrease (bp)	
in thousands of Nigerian Naira	Amount	100	500	100	500
Fixed-term deposit	2,563,223	(25,632)	128,161	25,632	(128,161)

31 December 2015		Increase (bp)		Decrease (bp)	
in thousands of Nigerian Naira	Amount	100	500	100	500
Fixed-term deposit	1,587,815	(15,878)	79,391	15,878	(79,391)

Equity Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The risks arising from change in price of our investment securities is managed through our investment desk and in line with the investment risk policy.

The Company's management of equity price risk is guided by the following:

- Investment Quality and Limit Analysis

Investment quality and limit analysis

The Board through its Board Investment Committee set approval limits for taking investment decision approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limits system sets a personal discretionary limit for the Chief Executive Officer; requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and sets out lower limits for the Chief Finance Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates.

46 Insurance and financial risk - continued

Equity Price risk - continued

The Company has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables (share price) with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of available–for–sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Market indices		31 December 2016	31 December 2015
in thousands of Nigerian Naira	Change in variable	Impact on equity	Impact on equity
Nigerian Stock Exchange	*-5%*	(748)	(11,596)
	5%	748	11,596
	-10%	(1,497)	(23,192)
	10%	1,497	23,192

Operational risks

Our operational risk exposure arises from inadequately controlled internal processes or systems, human error or noncompliance as well as from external events. Operational risk management framework includes strategic, reputation and compliance risks. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

NOTES TO THE FINANCIAL STATEMENTS Cont.

46 Insurance and financial risk - continued

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

31 December 2016	Gross liabilities	Re-insurance share of liabilities	Net liabilities
in thousands of Nigerian Naira			
General accidents	232,370	(102,341)	130,029
Engineering	33,682	(27,534)	6,148
Fire	287,022	(115,044)	171,978
Marine	83,250	(39,728)	43,522
Motor	137,289	-	137,289
Oil & Gas	298,640	-	298,640
Total	1,072,253	(284,647)	787,606

31 December 2015	Gross liabilities	Re-insurance of liabilities	Net liabilities
in thousands of Nigerian Naira			
General accidents	175,190	(96,099)	79,091
Engineering	18,618	(7,722)	10,896
Fire	189,091	(117,849)	71,242
Marine	127,221	(32,344)	94,877
Motor	166,152	-	166,152
Oil & Gas	240,890	(10,146)	230,744
Total	917,162	(264,160)	653,002

46 Insurance and financial risk - continued

Insurance risk - continued

Sensitivity analysis

The non–life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear.

31 December 2016	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax
in thousands of Nigerian Naira				
Loss percentage	+5%	53,613	22,559	(31,054)
Loss percentage	-5%	(53,613)	(22,559)	31,054
Inflation rate	+1%	10,723	4,512	(6,211)
Inflation rate	-1%	(10,723)	(4,512)	6,211
Discount rate	+1%	10,723	4,512	(6,211)
Discount rate	-1%	(10,723)	(4,512)	6,211

31 December 2015	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax
in thousands of Nigerian Naira				
Loss percentage	+5%	45,858	20,056	(25,802)
Loss percentage	-5%	(45,858)	(20,056)	25,802
Inflation rate	+1%	9,172	4,011	(5,160)
Inflation rate	-1%	(9,172)	(4,011)	5,160
Discount rate	+1%	9,172	4,011	(5,160)
Discount rate	-1%	(9,172)	(4,011)	5,160

Impact on equity reflects adjustments for tax, when applicable

NOTES TO THE FINANCIAL STATEMENTS Cont.

47 Contingencies and commitments

a. Contingencies proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

b. Capital commitments and operating leases

The Company has no capital commitments at the reporting date.

The Company has entered into commercial property leases on its investment property portfolio and the Company's surplus office buildings. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

As at in thousands of Nigerian Naira	31 December 2016	31 December 2015
Within one year	10,240	35,406
After one year but not more than five years	-	-
Total operating lease rental receivables	10,240	35,406

48 Contravention of the NAICOM and other guidelines:

in thousands of Nigerian Naira	Number of infractions	Penalty
Nature of contravention		
Late submission of annual report and account to SEC in 2016	1	500

NOTES TO THE FINANCIAL STATEMENTS Cont.

49 Events after the reporting date

No significant event has occurred since the reporting date which requires adjustment of, or further disclosure in the financial statements.

50 Admissible assets

The admissible assets representing insurance funds are included in the Statement of Financial Position as follows:

Total assets representing insurance funds in thousands of Nigerian Naira	Carrying amount	Shareholders' Funds	Policy holders Funds	Total
Insurance Contract liabilities	(2,838,600)		(2,838,600)	(2,838,600)
Deduct:				
Reinsurance assets	1,716,444		1,716,444	1,716,444
Net Insurance Contract liabilities				(1,122,156)
Represented by:				
Property, plant and equipment	1,620,472	1,620,472		1,620,472
Statutory deposit	315,000	315,000		315,000
Cash and cash equivalents:				
- Cash	-			
- Short term deposits	3,015,331	1,588,183	1,427,148	3,015,331
Available-for-sale financial assets:				
Quoted equities	166,546			
Treasury bills	21,380	187,926		187,926
Held-to-maturity				
Federal Government bonds	81,190			
State Government bonds	40,719			
Corporate bonds	20,427	142,336		142,336
Investment properties	1,181,454	1,181,454		1,181,454
Loans and advances	32,703	32,703		32,703
Surplus		5,068,074	304,992	5,373,066

NOTES TO THE FINANCIAL STATEMENTS Cont.

51 Segment information

For the year ended 31 December 2016 in thousands of Nigerian Naira	Motor	Fire and property	General accident	Marine and aviation	Oil and gas	Car and engineering	Total
Gross premium written	1,227,528	1,107,043	834,984	598,224	2,235,192	396,883	6,399,854
Changes in unexpired premium	326,670	138,157	182,335	73,878	(389,513)	31,749	363,275
Gross premium earned	1,554,198	1,245,200	1,017,319	672,102	1,845,679	428,632	6,763,129
Outward re-insurance premium	(4,559)	(206,654)	(191,094)	(152,317)	(2,095,631)	(69,319)	(2,719,574)
Changes in unexpired outward premium	2,110	(162,833)	(157,631)	(42,931)	236,632	(1,490)	(126,141)
Net premium earned	1,551,749	875,713	668,594	476,854	(13,320)	357,823	3,917,414
Commission received	369	37,835	36,559	31,615	235,925	11,822	354,125
Total underwriting income	1,552,118	913,548	705,153	508,469	222,605	369,645	4,271,539
Gross claims paid	503,590	330,043	338,596	72,433	122,229	28,432	1,395,324
Gross liabilities at 31 December 2016	137,289	287,023	232,370	83,250	298,640	33,682	1,072,254
	640,879	617,066	570,966	155,683	420,869	62,114	2,467,578
Gross liabilities at 1 January 2016	(166,152)	(189,092)	(175,190)	(127,221)	(240,890)	(18,618)	(917,163)
Gross claim incurred	474,727	427,974	395,776	28,462	179,979	43,496	1,550,415
Reinsurance recoveries	14,638	19,187	21,381	12,409	-	21,454	89,068
Due from re-insurers at 31 December 2016	-	115,044	102,340	39,728	-	27,534	284,646
	14,638	134,231	123,721	52,137	-	48,988	373,714
Due from re-insurers at 1 January 2016	-	(117,849)	(96,099)	(32,344)	(10,146)	(7,722)	(264,160)
Gross recoveries	14,638	16,382	27,622	19,793	(10,146)	41,266	109,554
Net benefits and claims	460,089	411,592	368,154	8,670	190,125	2,231	1,440,861
Net income	1,092,029	501,956	336,999	499,799	32,480	367,414	2,830,677
UNDERWRITING EXPENSES							
Amortised deferred acquisition costs	(266,029)	(249,706)	(209,156)	(141,755)	(27,531)	(77,247)	(971,424)
Other underwriting expenses	(80,989)	(46,392)	(35,420)	(25,262)	(512)	(18,956)	(207,531)
Underwriting profit	745,011	205,858	92,424	332,782	4,436	271,211	1,651,722

NOTES TO THE FINANCIAL STATEMENTS Cont.

52 Segment information

For the year ended 31 December 2015 in thousands of Nigerian Naira	Motor	Fire and property	General accident	Marine and aviation	Oil and gas	Car and engineering	Total
Gross premium written	1,442,196	967,334	968,989	616,820	2,849,497	287,388	7,132,224
Changes in unexpired premium	(51,811)	(125,227)	(125,483)	(76,836)	320,434	(80,949)	(139,871)
Gross premium earned	1,390,385	842,107	843,506	539,984	3,169,931	206,439	6,992,353
Outward re-insurance premium	(273,902)	(182,745)	(211,416)	(156,056)	(2,224,009)	(56,216)	(3,104,344)
Changes in unexpired outward premium	-	8,004	6,530	10,214	11,431	10,047	46,226
Net premium earned	1,116,483	667,367	638,620	394,143	957,353	160,270	3,934,235
Commission received	679	55,512	60,979	50,240	214,176	29,876	411,462
Total income	1,117,162	722,879	699,599	444,383	1,171,529	190,146	4,345,698
Gross claims paid	586,286	454,844	233,015	187,806	240,347	34,112	1,736,410
Gross liabilities at 31 December 2015	166,152	189,092	175,190	127,221	240,890	18,618	917,163
	752,438	643,936	408,205	315,027	481,237	52,730	2,653,573
Gross liabilities at 1 January 2015	(187,459)	(349,333)	(206,693)	(64,752)	(247,077)	(29,659)	(1,084,973)
Gross claim incurred	564,979	294,603	201,512	250,275	234,160	23,071	1,568,600
Reinsurance recoveries	30,180	(122,574)	(95,460)	(27,376)	160,622	(8,481)	(63,089)
Due from re-insurers at 31 December 2015	-	117,849	96,099	32,344	10,146	7,722	264,160
	30,180	(4,725)	639	4,968	170,768	(759)	201,071
Due from re-insurers at 1 January 2015	(60,360)	127,299	94,822	22,408	(332,390)	9,240	(138,982)
Gross recoveries	(30,180)	122,574	95,461	27,376	(161,622)	8,481	62,090
Net benefits and claims	595,159	172,029	106,051	222,899	395,782	14,590	1,506,510
Net income	522,003	550,850	593,548	221,484	775,747	175,556	2,839,188
UNDERWRITING EXPENSES							
Amortised deferred acquisition costs	(146,986)	(163,843)	(156,447)	(134,921)	(258,352)	(61,835)	(922,384)
Other underwriting expenses	(71,733)	(44,839)	(19,183)	(45,686)	(57,708)	(4,070)	(243,219)
Underwriting profit	303,284	342,169	417,918	40,877	459,687	109,651	1,673,586

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2016

For the year ended in thousands of Nigerian Naira	31 December 2016	%	31 December 2015	%
Gross premium written	6,399,854		7,132,224	
Net claims expenses	(1,440,861)		(1,506,511)	
Premium ceded to reinsurance	(2,845,715)		(3,058,118)	
Other charges and expenses	(1,534,369)		(1,527,973)	
Fees and commission	354,125		411,462	
Investment income	281,288		214,061	
Value added	1,214,322	100	1,665,145	100
Applied as follow:				
In payment to employees				
Employee benefits expense	810,195	67	761,648	46
In payment to Government				
As taxes	42,400	3	4,857	0
Retained in the business				
Depreciation	114,596	9	84,084	5
Amortization	15,036	1	10,829	1
Contingency reserve	191,996	16	213,967	13
Transfer to accumulated losses	40,099	3	589,760	35
Value added	1,214,322	100	1,665,145	100

Value added statement represents the wealth created by the efforts of the company and its employees' efforts based on ordinary activities and the allocation of that wealth being created between employees, shareholders, government and that retained for the future creation of more wealth.

FIVE-YEAR FINANCIAL SUMMARY

As at in thousands of Nigerian Naira	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Assets					
Cash and cash equivalents	3,015,331	2,582,695	2,236,083	1,932,889	1,166,795
Investment securities	562,846	929,904	866,956	1,011,267	917,287
Trade receivables	308,428	115,751	57,551	98,328	1,149,175
Reinsurance assets	1,716,444	1,822,099	2,011,841	2,652,287	1,322,312
Deferred acquisition costs	496,295	567,819	568,819	548,295	541,467
Other receivables and prepayments	55,877	430,493	158,710	184,957	95,421
Investment in associate	66,857	58,104	49,202	50,255	-
Investment properties	1,181,454	1,358,256	1,339,084	1,222,024	1,053,030
Intangible assets	20,792	29,424	25,775	6,201	-
Property, plant and equipment	1,620,472	842,381	783,098	548,586	552,747
Deferred tax assets	151,764	212,945	80,725	79,207	-
Statutory deposit	315,000	315,000	315,000	315,000	315,000
Total assets	9,511,560	9,264,871	8,492,844	8,649,296	7,113,234
Liabilities and Equity					
Insurance contract liabilities	2,838,600	3,046,784	3,073,723	3,472,833	2,239,625
Debt securities issues	750,456	531,976	806,590	1,066,897	1,007,775
Bank overdraft	108,641	-	-	-	-
Trade payables	225,953	313,403	140,147	177,238	250,560
Other payables and accrual	121,918	119,916	37,905	79,657	42,140
Retirement benefit obligation	184,406	210,488	240,689	336,442	271,641
Current tax payable	46,158	17,108	32,936	32,732	127,506
Deferred tax liability	-	-	-	-	35,183
Deposit for shares	-	-	410,284	-	-
Total liabilities	4,276,132	4,239,675	4,742,274	5,165,799	3,974,430
Equity					
Issued share capital	4,170,412	4,170,412	3,435,879	3,435,879	3,435,879
Share premium	116,843	116,843	116,843	116,843	116,843
Contingecy reserve	2,077,191	1,885,195	1,671,227	1,452,632	1,192,422
Revaluation reserve	175,288	-	-	-	-
Available-for-sale reserve	(3,984)	1,171	13,416	27,018	(460)
Accumulated losses	(1,300,322)	(1,148,425)	(1,486,794)	(1,548,875)	(1,605,880)
Total equity	5,235,428	5,025,196	3,750,571	3,483,497	3,138,804
Total Equity and Liabilities	9,511,560	9,264,871	8,492,845	8,649,296	7,113,234

FIVE-YEAR FINANCIAL SUMMARY Cont.

Profit and loss

For the year ended

in thousands of Nigerian Naira	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Gross premium	6,399,854	7,132,224	7,286,511	8,673,676	7,742,785
Premium earned	3,917,414	3,934,235	4,606,041	4,309,149	4,620,455
Profit before income tax	44,975	430,486	326,021	274,859	1,585,113
Profit after income tax	23,592	557,849	294,943	346,930	1,476,354
Per 50k share data (kobo)					
Earnings per share - Basic	0.3	7	4	5	21
Net assets per share	63	60	55	51	46

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	734,532,951	4,170,411,648	Cash
2016	0	10,500,000,000	0	4,170,411,648	-


Contingencies
OUT

MERISTEM REGISTRARS LIMITED

Affix Current Passport
(To be stamped by Bankers)
Write your name at the back of your passport photograph

E-DIVIDEND MANDATE ACTIVATION FORM

Only Clearing Banks are acceptable

Instruction

Please complete all sections of this form to make it eligible for processing and return to the address below

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

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank account detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

Shareholder Account Information

Surname/Company's Name First Name Other Names

Address:

City State Country

Previous Address (If address has changed)

CHN CSCS A/c No

Name of Stockbroker

Mobile Telephone 1 Mobile Telephone 2

Email Address

Signature(s) Company Seal (If applicable)

Joint\Company's Signatories

TICK	NAME OF COMPANY	SHARE A/C NO
	ACAP INCOME FUND	
	AFRINVEST EQUITY FUND	
	BERGER PAINTS NIG PLC	
	CHELLARAMS BOND	
	CONOIL PLC	
	CONSOLIDATED HALLMARK INS. PLC	
	CUSTODIAN & ALLIED PLC	
	COVENANT SALT NIGERIA LIMITED	
	EMPLOYEE ENERGY LIMITED	
	ENERGY COMPANY OF NIGERIA PLC [ENCON]	
	eTRANZACT INTERNATIONAL PLC	
	FIDSON HEALTHCARE PLC	
	FOOD CONCEPTS PLC	
	FREE RANGE FARMS PLC	
	FTN COCOA PROCESSORS PLC	
	GEO-FLUIDS PLC	
	JUBILEE LIFE MORTGAGE BANK LTD	
	MAMA CASS RESTAURANTS LIMITED	
	MCN DIOCESE OF REMO	
	MCN LAGOS CENTRAL	
	MCN TAILORING FACTORY [NIGERIA] LIMITED	
	MULTI-TREX INTEGRATED FOODS PLC	
	MUTUAL BENEFITS ASSURANCE PLC	
	NASSARAWA STATE GOVT BOND	
	NASCON ALLIED INDUSTRIES PLC	
	NEIMETH INT'L PHARMS PLC	
	NEWREST ASL NIGERIA PLC	
	NIGER INSURANCE PLC	
	NIGERIA MORTGAGE REFINANCE COMPANY [NMRC] PLC	
	NIGERIA MORTGAGE REFINANCE COMPANY PLC [NMRC] BOND	
	ONWARD PAPER MILLS PLC	
	PACAM BALANCED FUND	
	PAINTS & COATINGS MANUFACTURERS NIG PLC	
	PROPERTYGATE DEVT. & INVEST. PLC	
	R.T. BRISCOE NIGERIA PLC	
	REGENCY ALLIANCE INSURANCE PLC	
	SMART PRODUCTS NIGERIA PLC	
	SOVEREIGN TRUST INSURANCE PLC	
	TANTALIZERS PLC	
	THE BGL SAPPHIRE FUND	
	THOMAS WYATT PLC	
	VITAFOAM NIGERIA PLC	
	ZENITH EQUITY FUND	
	ZENITH ETHICAL FUND	
	ZENITH INCOME FUND	

Company Seal (If applicable)

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-2809250-4

Meristem Registrars Limited
Web: www.meristemregistrars.com; email: info@meristemregistrars.com

THE REGISTRAR

MERISTEM
REGISTRARS LIMITED
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

SOVEREIGN TRUST INSURANCE PLC.
RC 31962
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TEAR OFF

PROXY FORM

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 21st day of September 2017 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, 2016, and the Reports of the Directors, the Auditors and the Audit Committee thereon.		
2. To re-elect Directors:		
i Mr. Oluseun O. Ajayi (Chairman)		
ii Col. Musa Shehu(Rtd), OFR (Independent Director)		
3. To authorise the Directors to fix the remuneration of the Auditors.		
4. To elect the Shareholders' representatives on the Audit Committee.		
5. 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, 2016 and the year ending 31st December 2017 be and is hereby fixed at ₦5,000,000 and ₦3,200,000 respectively.		

SPECIAL BUSINESS

1. To consider and if deemed fit to pass the following resolutions:

(a) That the amount forming the authorised share-capital of the company be and is hereby increased from N5,500,000,000.00 (Five Billion Five Hundred Million Naira) to N7,500,000,000.00 (Seven Billion Five Hundred Million Naira) by the creation of 4,000,000,000 (Four Billion) ordinary shares of 50 kobo each ranking pari passu in all respects with the existing ordinary shares of the company.

(b) "That the Directors be and are hereby authorized to raise additional equity capital for the Company up to the maximum limit of the authorized share capital, whether by way of Special Placement or Public Offer with or without a preferential allotment/or Rights issue or a combination of any of them, either locally or internationally and upon such terms and conditions as the Directors may deem fit in the interest of the Company and subject to the approval of the Regulatory Authorities."

(c) "That in the event of over subscription of the offer/issue to capitalize the excess money and allot additional shares to the extent that can be accommodated by the Company's unissued share capital subject to the approval of the Regulatory Authorities and that the proceeds should be used for the same purpose as the offer/issue."

(d) That the Company's Memorandum and Articles of Association be amended to reflect the increase in its authorised capital.

SIGNED________________________________DATED THIS_____ DAY OF_________2017

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 REGISTRARS LIMITED

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

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(22ND 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 on 21st day of September 2017 , 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

MERISTEM REGISTRARS LIMITED

RC No:489092

213, Herbert Macaulay Way,
Sabo-Yaba,
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10% no-claim Bonus Advantage.
Covers strike riot and civil commotion
For non-professional sporting activities
No geographical limitation or restriction
For more information about this and other policies please visit any of our branches nearest to you or our website www.stiplc.com
Hotlines: Emmanuel- 08099928102, Sunkanmi- 08099928087, Toyin-08099929135 08178884752, 08188884752.
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