ANNUAL REPORT & ACCOUNTS 2017

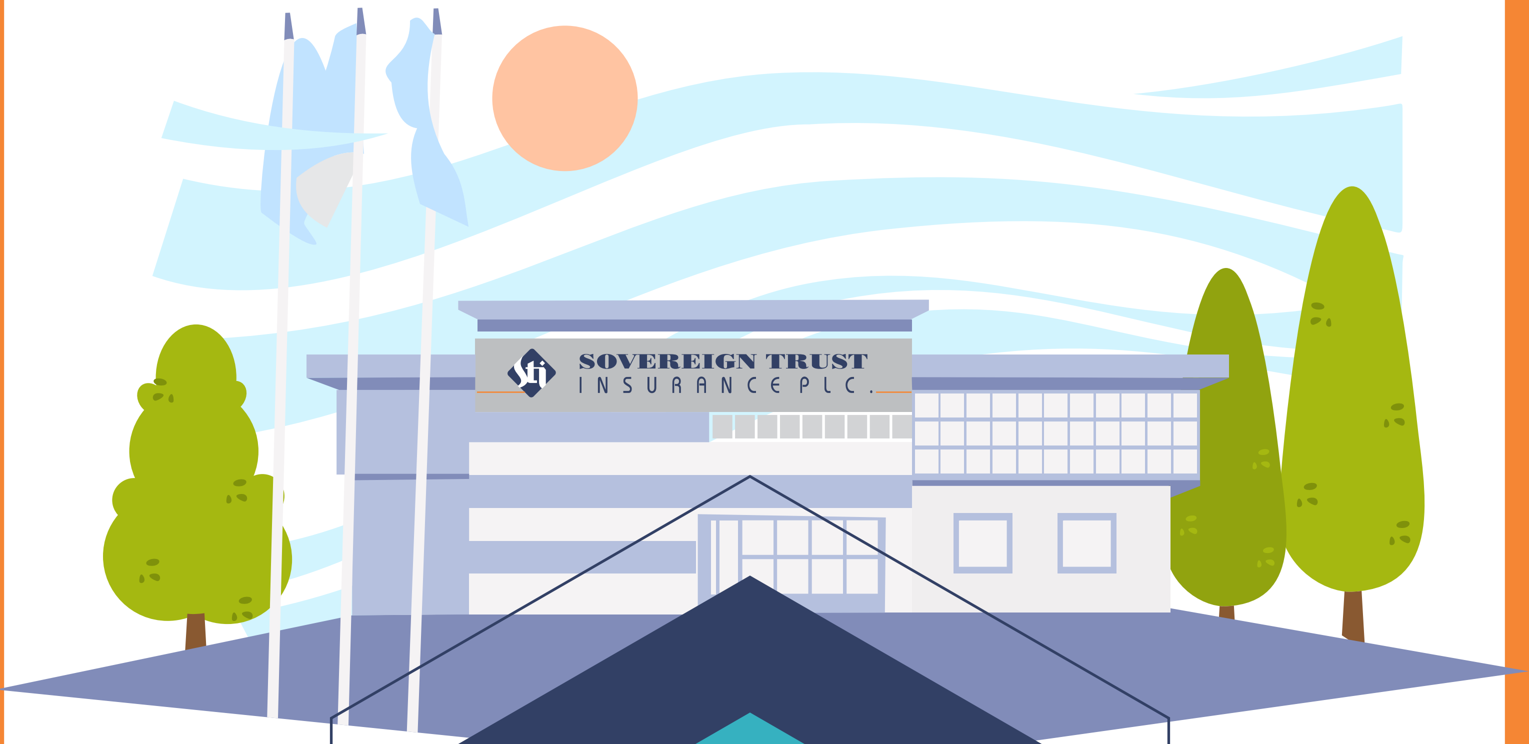
Track Record of Trust

SOVEREIGN TRUST
INSURANCE PLC.
RC 31962

...We've got you covered!

PREPAREDNESS

EVERY FORCE
IN OUR WORLD,
WHETHER NATURAL
OR ARTIFICIAL FAVOURS
PREPAREDNESS



Vision

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

Mission

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

Core Values

Superior Customer Service
Innovation
Professionalism
Integrity
Empathy
Team Spirit

What is inside

Company Overview

Setups

Strategies

Facts & Figures

Key Statistics

Processes

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OH NO! GBESE!
MY ONLY CAR.
WHERE WILL
I START FROM?"
With Sovereign Trust Motor Insurance Policy,
you can rest assured that your world is in for a better turnaround.
#Wewillalwaysprotectyou.
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sovereign trust insurance plc
SOVEREIGN TRUST
INSURANCE PLC.
...we've got you covered !
Nigerian Insurers Association
Authorized and Regulated by the National Insurance Commission
17, Adetokunbo Ademola Str. 07000STIPLC (0700 078 4752), +234-1-4615006-9, 4627687, 0908 568 9063.
Fax: +234-1-4617200, 4615817. P.O.Box 74391, V/I, Lagos.
www.stiplc.com info@stiplc.com BRANCHES NATIONWIDE.

Company Overview
06

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 endeavour.

PRODUCTS AND SERVICES

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

Our products and services have been packaged for marketing to the public sector as well as various manufacturing, industrial and commercial concerns. Financial

Business History cont.

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 makes 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 ₦5Billion. 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

Business History cont.

level of its capacity in the industry. At the end of the exercise, the company was rated A- by the international rating agency, the Global Credit Rating, GCR, in 2007, 2008, 2009, 2010, 2011, 2012, 2013, 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.


23rd
AGM
NOTICE

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **23rd 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 **27th day of September 2018 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, 2017, and the Reports of the Directors, the Auditors and the Audit Committee thereon.
2. To re-elect Directors.
3. To appoint Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect the Shareholders' representatives on the Audit Committee.
6. To consider and if deemed fit to pass the following resolution as an ordinary resolution:

That the Directors' fees for the year ending December 31, 2018 be and is hereby fixed at ₦3,800,000.00

SPECIAL BUSINESS

7. 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 ₦7,500,000,000.00 (Seven Billion Five Hundred Million Naira) to ₦10,000,000,000.00 (Ten Billion Naira) by the creation of 5,000,000,000 (Five Billion) ordinary shares of 50 kobo each ranking paripassu 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 3RD DAY OF SEPTEMBER 2018

BY ORDER OF THE BOARD

EQUITY UNION LIMITED

Yetunde Martins
Equity Union Limited
Company Secretaries

NOTES

PROXIES

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

CLOSURE OF REGISTER

The Register of members will be closed from 3rd day of September 2018 to 7th day of September 2018 (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 provisions 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 director to retire by rotation at the 23rd Annual General Meeting is Ms. Emi Faloughi. The retiring director, being eligible, has offered herself for re-election.

The profile of the director retiring by rotation is 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.

Stirring the insurance market place

Corporate Information

Company's Registration number RC 31962

Directors

Mr. Oluseun O. Ajayi	Chairman
Mr. Olaotan Soyinka	Managing Director/CEO
Mrs. Ugochi Odemelam	Executive Director
Mr. Jude Modilim	Executive Director Appointed (1 December 2017)
Ms. Emi Faloughi	Non-Executive Director
Mr. Adedamola Dania	Non-Executive Director Resigned (19 December 2017)
Ms. Omozusi Iredia	Non-Executive Director
Col Musa Shehu (Rtd), OFR	Independent Director

Head Office
17, Adetokunbo Ademola Street,
Victoria Island, Lagos.
Tel:01-4611237,
Website: www.stiplc.com
08099929157, 08033076114
E-mail: info@stiplc.com

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,
Adekunle, Yaba, Lagos State, Nigeria

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

Reporting Actuary
Logic Professional Services
Rear Wing 4th Floor, Oshopey Plaza
17/19 Allen Avenue
Ikeja, Lagos.

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

Business Information

ED, Marketing and Business Development
Contact: Ugochi Odemelam
08099929134

ED, Technical Operations
Contact: Jude Modilim
08033191759

CORPORATE INFORMATION
Contact: Segun Bankole
Corporate Communications & Brand Management
Tel: 08099929157

Our Branch Network

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

ABUJA AREA OFFICE
Contact: Lucas Durojaiye
4th Floor, Nusaiba Towers,
Plot 117, Ahmadu Bello Way,
Jahi, Abuja.
Tel: 08023805681

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: Deborah Ugbaje
11, IPM Avenue, Off
Obafemi Awolowo Way,
Alausa, Ikeja,
Lagos State.
Tel:08099929184

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

KADUNA BRANCH OFFICE
Contact: Yusuf Dawodu
CB Finance House,
16E, Ahmadu Bello Way,
Kaduna, Kaduna State.
Tel:09031546863

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

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

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: Emmanuel Akporotu
2 Waico Street Behind Airtel
Office Effurun, Delta State
Tel: 08036991436

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

Management Team

Olaotan Soyinka
Managing Director/CEO

Jude Modilim
Executive Director
Technical Operations

Ugochi Odemelam
Executive Director, Marketing &
Business Development

Kayode Adigun
GM/Divisional Head, Finance &
Administration

Sanni Oladimaji
DGM/Head, Risk Management &
Compliance

Segun Bankole
AGM/Head, Brokers'
Department 1

Olalekan Oguntunde
AGM/Head, ICT

Tajudeen Rufai
AGM, Technical Operations

Emmanuel Anikibe
AGM/Head, Brokers'
Department 2

Mohammed Alfa
AGM/Head, Northern Area
Operations

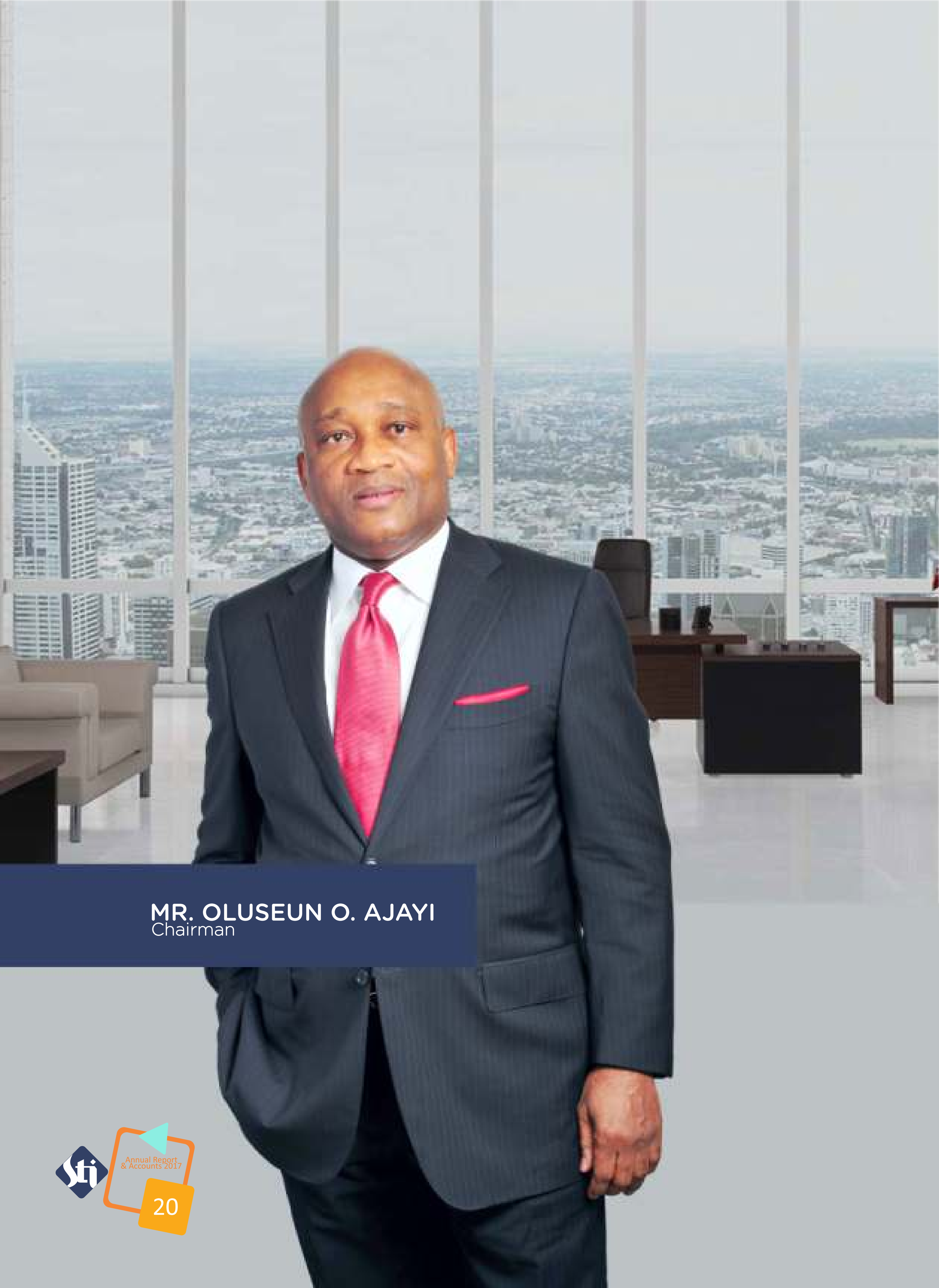
Samuel Oseni
AGM/Head, Internal Audit

Angela Uche-Onochie
AGM/Head, Eastern Area
Operations

For The Year Ended 31 December 2017

in thousands of Nigerian Naira	2017	2016	% Change
STATEMENT OF TOTAL COMPREHENSIVE INCOME			
Gross premium written	8,513,503	6,399,854	33%
Net premium income	3,852,522	3,917,414	-2%
Net claims expense	1,303,145	1,440,861	-10%
Profit before income tax	202,694	44,975	351%
Profit after income tax	157,869	23,592	569%
STATEMENT OF FINANCIAL POSITION			
Total assets	10,817,675	9,511,560	14%
Total liabilities	5,345,771	4,276,132	25%
Total equity	5,471,904	5,235,428	5%
Insurance contract liabilities	3,260,519	2,838,600	15%
Per – Share data:			
Basic earnings per share (kobo)	1.89	0.28	569%

Chairman's Statement



MR. OLUSEUN O. AJAYI
Chairman

"The flexibility of our business structure and strategy have been very much responsible for our continued relevance in the Nigerian Insurance market despite the difficult operating environment."

INTRODUCTION

Distinguished shareholders, the representatives of various regulatory authorities, invited guests, gentlemen of the press, ladies and gentlemen, it is my pleasure to welcome you to the 23rd Annual General Meeting of our dear company, Sovereign Trust Insurance Plc and to present the Annual Reports and Accounts for the period ended December 31, 2017 for your consideration.

The year 2017 was no doubt an eventful one in all ramifications both at the global and national space. However, amidst all the vicissitudes, we were able to improve our performance as much as we could during the year under review.

The flexibility of our business structure and strategy have been very much responsible for our continued relevance in the Nigerian Insurance market despite the difficult operating environment.

Before going into the report relating to our performance, it is pertinent to examine the global and domestic environments and how these impacted our operations during the year under review.

THE GLOBAL ENVIRONMENT

The year 2017 began with the inauguration of Donald J. Trump as the 45th President of United States of America and the election of Emmanuel Macron as President of France. It was a year in which the word "bitcoin" became a commonly-used term by many Americans. This volatile digital currency captured the attention of both investors and non-investors by having rapid

> The global economy experienced improved recovery, reflecting a rebound in investment, manufacturing activity and trade.

increases and swift declines in value during the year. It is unclear whether bitcoin has the staying power to compete with trading currencies, such as the U.S. Dollar, Euro and the Japanese Yen. Regardless, the technology behind digital currencies referred to as block-chain has implications that go far beyond the currency markets.

During the year, North Korean nuclear threats and hurricanes in Texas, Florida and Puerto Rico dominated the headlines. The issue of climate change and global warming constitute major challenges of our time and have added considerable stress to our society and environment. Despite all of these worries, the markets and economies across the globe continued to perform relatively well. Year 2017 would also be remembered as the year when the global economy began to experience synchronized growth. Since the financial crisis and recession in 2007-2009, certain economies have done well while others have struggled. 2017 was the first year in which almost all countries around the world experienced some form of growth. Whether it was global manufacturing or the ever-important service sector, expansion began to replace stagnation and decline. In the U.S., small business optimism and consumer confidence reached levels not seen in many years.

The U.S. stock market performed very well in the year 2017 in that market capitalization finished higher on a month by month basis. It was a year that witnessed continuous positive results. International stocks in the developed markets of Europe and Japan, as measured by the MSCI EAFE Index, rose to 4.2%, and the MSCI Emerging Markets benchmark did slightly better, gaining 7.4%.

The global economy experienced improved recovery, reflecting a rebound in investment, manufacturing activity and trade. This improvement came against the

> The Nigerian economy moved out of recession by the end of June 2017 after four quarters of negative growth triggered largely by lower global energy prices and a reduction in oil output.

backdrop of global financing conditions, generally accommodative policies, rising confidence, and firming up of commodity prices.

According to the World Bank report, global GDP growth is estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017.

DOMESTIC BUSINESS ENVIRONMENT

The Nigerian economy moved out of recession by the end of June 2017 after four quarters of negative growth triggered largely by lower global energy prices and a reduction in oil output. Renewed momentum was maintained in the third quarter with GDP up by 1.4% year-on-year and grew by 0.68% between second and third quarters of 2017. According to data issued by the National Bureau of Statistics (NBS), the economy had grown by 0.43% year-to-date by the end of September, 2017.

One of the factors that contributed to the improved economic performance was an upturn in oil production. Output from Nigeria's fields averaged 2.03m barrels per day (bpd) in the July-September period, up 420,000 bpd y-o-y and 150,000 bpd higher than production in April-June. The third quarter results were the highest since the first quarter of 2016, when output averaged 2.05m bpd. Improved growth was reflected in oil's contribution to the broader economy, which rose one percentage point over the previous quarter to 10.04% of GDP.

The rebound in the energy sector was in part offset by a subdued performance from the non-oil economy, a trend that has endured since early 2016. The non-oil sector contracted by 0.76% in July-September, following growth of 0.72% and 0.45% in the first and second quarters respectively. Manufacturing was one of the key underperforming sectors, recording negative growth of (2.85%), compared to a (0.64%) year-on-year decline in the previous quarter. Growth in the construction sector, meanwhile, was up 5.67% points albeit having eased 0.59% points from the previous quarter.

> The Central Bank of Nigeria data showed that the nation's external reserves increased significantly by \$12.9bn to \$38.73bn in December, 2017.

Despite its muted performance and energy's rising contribution, the non-oil component still accounted for nearly 90% of GDP, down only marginally from previous quarters.

Relative stability in the Niger Delta, uptick in the global oil prices, improvement in Diaspora remittances and establishment of the Investors and Exporters Foreign Exchange Window by the CBN in April 2017 have led to significant growth in the country's external reserves especially in the second half of the year. The Central Bank of Nigeria data showed that the nation's external reserves increased significantly by \$12.9bn to \$38.73bn in December, 2017. The improvement in external reserves had in no small measure supported the stability of the Naira against the dollar as exchange rate was consistently maintained within ₦360-₦365 range to a USD.

According to NBS report, the country's unemployment rate increased in 2017. This is one of the macro-economic issues currently being tackled by the government and hopefully, the rate of unemployment will improve very shortly which will also increase the rate of effective demand for insurance.

Inflation remained stubbornly high in 2017, despite easing after a spike at the beginning of the year. The consumer price index was running at 15.9% at the end of November, marginally down from October's level and below the year's peak of 18.72% in January. The Central Bank of Nigeria chose to hold its monetary policy rate at 14%, the same rate it maintained throughout 2017 while acknowledging that a high rate could weigh on growth and stability, the Monetary Policy Committee said it would have a positive impact on inflation and support exchange rate stability.

In all of these, economic activities were just gearing up to reposition the purchasing power of the populace which invariably would translate to increase in demand for insurance in the years ahead.

> "In all of these, economic activities were just gearing up to reposition the purchasing power of the populace which invariably would translate to increase in demand for insurance in the years ahead."

INSURANCE INDUSTRY REVIEW

The Insurance sector, like every other sector of the economy in the year 2017 struggled to overcome the challenges posed by the lingering effects of the economic recession experienced in the previous year which left businesses in a stagnated position and eroded the purchasing power of the populace thereby slowing down their urge for insurance. The effects of the recession, which manifested in job cuts in various sectors and lull in economic activities in both the formal and informal sectors of the economy was evident in the non-renewal of most insurance contracts in both life and general businesses due to reduction in disposable income. As a result, efforts by the sector's operators and regulators to deepen insurance penetration in Nigeria and improve on the sector's contributions to the Gross Domestic Product (GDP), yielded not much result as the sector merely recorded minimal growth during the year.

During the year, NAICOM, released a document titled: Statement of NAICOM's Regulatory Priorities in 2017. In the document, NAICOM highlighted its regulatory priorities for the year as: undertaking verification of capital resources, assets of insurance institutions, re-launch of the MDRI with special and intensified implementation efforts on enforcement of compulsory insurance, diversification of distribution channels, increase in access points for insurance services, introducing micro-insurance, deepening Takaful insurance, improvement in data collection as well as promotion of financial literacy.

From the positive point of view, the regulator and the industry operators made remarkable effort to achieve deeper penetration of insurance nationwide.

The Commission, from the beginning of the year emphasized that the main area of focus would be on awareness creation. The moment Nigerians become aware of

> In the midst of the various challenges ..., our company was able to record Gross Premium Written of ₦8.5 billion representing a 33% increase...

what they stand to benefit from insurance, they will be willing to purchase policies which will reduce Nigerians' apathy towards insurance products.

We commend NAICOM's continuous effort in trying to deepen insurance penetration in Nigeria.

OPERATING RESULTS

The drive to continue to uphold comprehensive growth strategy still forms the background upon which our company is built. In the midst of the various challenges that characterized the industry within the year, our company was able to record Gross Premium Written of ₦8.5billion representing a 33% increase over the ₦6.3billion recorded in 2016. The Net Claims Expenses in 2017 was ₦1.3billion which is a 9.5% improvement over the sum of ₦1.44billion recorded in 2016 as a result of efficient claims management.

In the same vein, the company recorded a Profit Before Tax of ₦202million as against ₦44million recorded in year 2016 representing over 351% increase. Profit after tax also stood at ₦157million, a 569% increase when compared with the sum of ₦23million recorded in 2016. Consequently, the Return on Capital Employed (ROCE) recorded a positive performance of 1.87% as against 0.47% achieved in the corresponding year of 2016. Similarly, our Investment income rose by 41.6% from ₦286million in 2016 to ₦406million in 2017.

In addition, our total assets rose from ₦9.5billion to ₦10.8billion representing 13.7% increase. The composition of our assets was well structured to position the company for better future performance.

With this result, the resilience of our brand has once again been brought to the fore with proven capability to substantially increase our level of

> "With this result, the resilience of our brand has once again been brought to the fore with proven capability to substantially increase our level of profitability."

profitability. This performance could not have been achieved without the efforts of the unified Sovereign Trust team and our commitment to structured business strategies aimed at aggressive revenue generation and cost curtailment in the course of the year.

BOARD CHANGES

Resignation

Mr. Ademola Dania resigned his appointment as a member of the Board on December 19, 2017. We thank him for his contributions while he was a director and wish him well in his future endeavours.

Retirement by Rotation

Ms. Emi Faloughi would be retiring by rotation and is eligible for re-appointment as non-executive director.

Appointments

May I also in the same vein inform this gathering that two eminent Nigerians, Messrs. Abimbola Oguntunde and Sam Egube were appointed as non-executive directors to the Board. They are persons of impeccable character and achievements in their respective fields.

The company also appointed Messrs. Jude Modilim and Niyi Odusi as Executive Directors Technical and Branch Operations & Business Development respectively. We are of the expectation that their wealth of experience will set a new and progressive pathway for the company. Kindly join me in welcoming them to the organization.

FUTURE OUTLOOK

In preparing the organization for the challenges of the future and in response

> It is important to state our company's resolve to adequately operate in the Tier-1 category

to the ever-evolving dynamics of the marketplace, our company embarked on a five-year strategic journey. The strategic blueprint was conducted by KPMG, one of the leading consulting firms in the country.

Part of the objectives amongst others will be to position the company as one of the top five insurance companies by year 2022 in terms of revenue and profitability while also looking at re-inventing the operations of the organization by making it the preferred underwriting firm with regards to non-life and special risks underwriting.

Just very recently, NAICOM announced the Risk Based Supervision (RBS) model which it had been considering for a while now. With this development, Insurance companies are to operate within a 3-Tier-Based Minimum Solvency Capital, (TBMSC) as directed by the Regulatory body. This comes along with a lot of changes in the way businesses will be conducted henceforth. The RBS is a European Insurance market supervisory initiative, and according to the World Bank, is a supervisory approach that considers each of the risks that companies face and through a structured process, identifies the risks that are most critical to the financial viability of the institution.

It is important to state our company's resolve to adequately operate in the Tier-1 category with the plan of increasing our capital base both organically and inorganically before the commencement of the Tier Based Minimum Solvency Capital (TBMSC) regime.

CONCLUSION

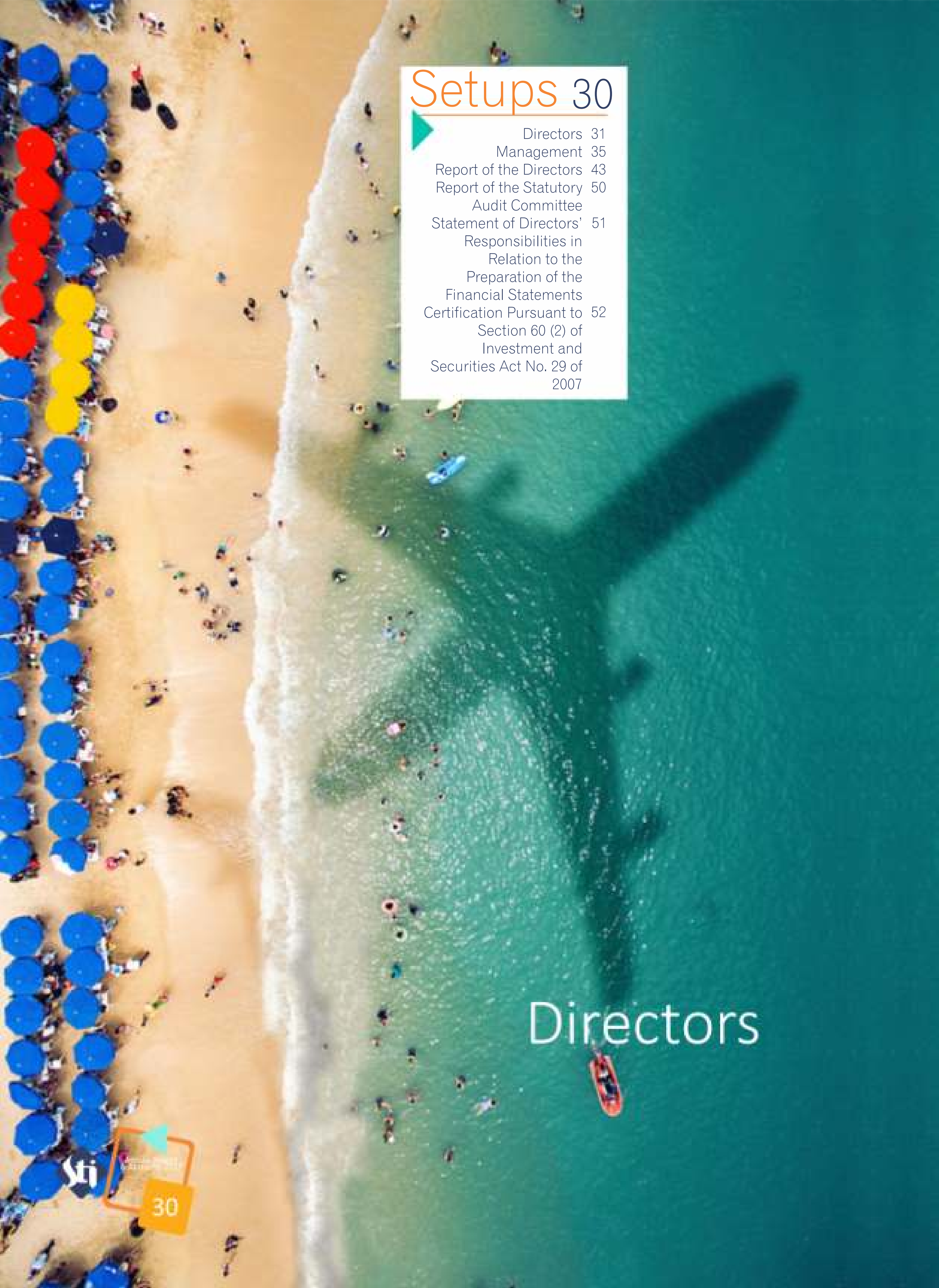
The dynamism of the business environment will continue to pose its challenges and opportunities for operators, but our strength is always built on applying the right approaches and

> "... our strength is always built on applying the right approaches and strategies capable of achieving optimal operational efficiency and performance."

strategies capable of achieving optimal operational efficiency and performance. Sovereign Trust Insurance Plc is very well positioned to take advantage of the opportunities that lie ahead.

Finally, distinguished shareholders, I want to thank our various stakeholders for their confidence in the company and assure you that we would continuously strive to keep our organization on the path of growth. Let me also use this opportunity to express my sincere gratitude to my colleagues on the Board, both executives and non-executives for their unalloyed support and unwavering interest in the affairs of our company. I would also like to acknowledge the continued commitment and enthusiasm demonstrated by members of staff and Management all of whose contributions I sincerely appreciate.

OLUSEUN O. AJAYI
CHAIRMAN



Setups 30

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 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.

MR. ADEDAMOLA DANIA

Non-Executive Director
Resigned (19 December 2017)

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

Omozusi holds a Master's Degree in International Business Management from Demonfort University, Leicester and a BSc. (Banking & Finance), University of Maiduguri, Nigeria.

She is an Investment Manager with over a decade experience in the financial services specializing in equities & money markets with specific focus on sales trading and dedicated client relationship management.

She has held leadership positions with companies such as Afrinvest West Africa, Standard Chartered Bank and Coronation Merchant Bank.

Prior to founding CERTARI Partners, Omozusi worked as the Group Executive of Coronation Securities –a subsidiary of Coronation Merchant Bank where she was responsible for driving sales, positioning and overall profitability of the business as well as aiding clients in providing liquidity solutions, raising capital with a core focus on driving growth and establishing successful partnerships across the region.

She is passionate about sustainable development and strategies geared at changing lives. She brings to bear her wealth of experience in the Nigerian Financial landscape in strengthening the composition of the Board of Directors of Sovereign Trust Insurance Plc.

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.

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 April 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.

MR. JUDE A. MODILIM
ED, Technical

Mr. Jude A. Modilim is a seasoned Insurance and Risk Management Practitioner with considerable exposure and experience in Marketing & Business Development, Underwriting, Claims Administration and Management. Jude's personality resonates positivity and self-confidence which has earned him the nickname, (Mr. Bond) by his colleagues.

He graduated from University of Lagos in 1990, having read Insurance with a B.Sc Degree and also obtained an MSc Degree in 1995 in Business Administration from his alma mater where he majored in Marketing.

He is an Associate member of the Chartered Insurance Institute, London, (ACII) and also an Associate of the Chartered Insurance Institute of Nigeria, (ACIIN) respectively. Jude is a member of the Nigerian Institute of Management and an Associate of the Nigerian Council of Registered Insurance Brokers, NCRIB.

Management

OLAOTAN SOYINKA

Managing Director/CEO

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She joined Sovereign Trust Insurance Plc in April 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.

JUDE A. MODILIM

ED, Technical

He was until his appointment as Executive Director, Technical, the Assistant General Manager/Group Head, Business Development with International Energy Insurance Plc, IEI. While in IEI, he carried out various functions in different capacities.

Between 2007 and 2008, he was the Group Head, Retail for Insurance PHB, (Now KBL). He had a short stint with Industrial and General Insurance Company Limited as a Manager in charge of Telecommunications Marketing. Jude equally had a long spell with NICON Insurance Plc totaling 15 years where he held various positions within the organization.

Jude Modilim is coming on Board with a considerable wealth of experience that has traversed various facets of Insurance and it is hoped that same will be utilized in galvanizing the organization to the next level of its growth agenda.

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.

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.

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.

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.

He is an Alumnus of Lagos Business School having completed the Senior Management Programme of the Institution. He is equally a member of the Prestigious Ikoyi Club 1938.

TAJUDEEN RUFAI

Assistant General Manager, Technical Operations

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 Head, Technical in the organization.

ANGELA UCHE-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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www.stiplc.com info@stiplc.com BRANCHES NATIONWIDE.

1 **LEGAL FORM AND PRINCIPAL ACTIVITY**

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 the members their report together with the audited financial statements of Sovereign Trust Insurance Plc ("the Company") for the year ended 31 December 2017.

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 divided into 8.3 billion units of 50kobo per share.

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

2 **OPERATING RESULTS**

in thousands of Nigerian Naira	2017	2016
Gross premium written	8,513,503	6,399,854
Net premium income	3,852,522	3,917,414
Net claims expenses	(1,303,145)	(1,440,861)
Profit before income tax	202,694	44,975
Income tax expense	(44,825)	(21,383)
Profit after income tax	157,869	23,592

3 **DIVIDEND**

No dividend is proposed in respect of the current year (2016: 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 Annual Report.

5. **DIRECTORS**

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

Mr. Oluseun O. Ajayi	Chairman	
Mr. Olaotan Soyinka	Managing Director/CEO	
Mrs. Ugochi Odemelam	Executive Director	
Mr. Jude Modilim	Executive Director	Appointed (1 December 2017)
Ms. Emi Faloughi	Non Executive Director	
Mr. Adedamola Dania	Non Executive Director	Resigned (19 December 2017)
Ms. Omozusi Iredia	Non Executive Director	
Col. Musa Shehu (Rtd), OFR	Independent Director	

6 **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 2017 are as follows:

NAME	Number of Direct Ordinary Shares held in 2017	Number of Indirect Ordinary Shares held in 2017	Total 31 December 2017	Total 31 December 2016	Indirect Representation on the Board
Mr. Oluseun O. Ajayi	244,104,573	318,483,523	562,588,096	912,588,096	Sovereign Investments Ltd.
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	821,572,742	848,596,839	1,248,596,839	TEEOF Holdings Ltd.
Mr. Adedamola Dania	-	-	-	-	-
Ms. Omozusi Iredia	-	392,282,401	392,282,401	592,282,401	TWSN Limited
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 2017.

7 **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.

8 **ACQUISITION OF OWN SHARES**

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

9 **COMPANY'S DISTRIBUTORS**

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

10 **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

11 **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.

12 **SECURITIES TRADING POLICY**

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

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

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

13 **SUSTAINABILITY ISSUES**

Code of Business & Ethical Conduct

In line with our vision of maintaining and promoting good corporate governance, the company established and enforce a Code of Business & Ethical Conduct. This Code is applicable to and must be complied with by the Company’s Directors, Employees, Term Contract Staff, Third Party Personnel, as well as the Company’s Business Partners.

The objective of this Code of Business and Ethical Conduct is to promote a culture of Ethics and Compliance in our Company and to define the way and manner we shall conduct our business in a way that truly reflects the values we profess.

Integrity is one of our core values as a Company. Others include, Superior Customer Service, Innovation, Professionalism, Team Spirit and Empathy. By acting with integrity, we reflect positively on the image and reputation of our Company and our Brand.

Sovereign Trust Insurance Plc's operations are conducted in an open and transparent manner in accordance with the provisions of the relevant laws, ethical and professional standards.

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. Fire prevention and firefighting equipment are installed in strategic locations within the Company's premises.

In addition, free medical services are provided for the Company's employees and their families through a reliable Health Management Organization (HMO). Financial provision is made for all employees in respect of transportation, housing and meals. The Company also operates a contributory pension plan in line with the Pension Reform Act 2014.

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. Professionalism 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. Our diversity and inclusion practices are a competitive advantage to our business. We always aim to provide equal opportunities that will enable all our employees to learn, grow and build successful careers for themselves. We ensure that all our employees are treated fairly, and with respect regardless of their nationality, tribe, sexual orientation or religious beliefs.

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

Gender Distribution

The number and percentage of employees as at 31 December 2017 based on gender distribution are as follows:

	Male Number	Female Number	Male %	Female %
Employees	101	56	64	36

Gender distribution of Board and Senior Management is as follows:

Board	5	3	62	38
Senior Management	9	2	82	18

Detailed analysis of the Board and Senior Management is as follows:

	Male Number	Female Number	Male %	Female %
Assistant General Manager	5	1	83	17
Deputy General Manager	1	0	100	0
General Manager	1	0	100	0
Executive Director	1	1	50	50
Chief Executive Officer	1	0	100	0
Non-Executive Director	3	2	60	40

Employment of Physically Challenged Persons
It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. All employees whether physically challenged or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their career.

Social Investment Policy
The adoption of a Corporate Social Responsibility agenda as a corporate strategy in advancing the course of Sovereign Trust Insurance Plc Brand in the comity of Nigerian business organizations is geared at making enduring and progressive changes for the advancement of the public with particular regards to our operating environment both at local and national levels. As a responsible Corporate Citizen, the company places high premium on ethical, legal and moral elements in providing intervention/support to any organization or community when the need to do so arises.

Focus Area

Three major areas of concentration as regards our intervention both on short and long-term basis shall be on **Health, Sports** and the **Environment, HSE**. The company shall from time to time evaluate these areas of focus based on inside-out and outside-in approach. This basically suggest that CSR projects or initiatives can be internally identified and executed, and it can also collaborate with external organizations, consultants and intervention agencies on proposals that are considered to promote good, equitable and healthy society in line with our identified CSR platforms.

The company shall not discriminate or be biased in adopting CSR initiatives on the basis of gender, religion or social class. However, initiatives with political colouration as a matter of policy will not be entertained by the organization regardless of the proponents of such initiatives.

Sovereign Trust Insurance Plc's Corporate Social Responsibility springboard is categorized under the following thematic schemes namely;

Health

The Company's focus in this regard is intended to foster and support initiatives in the Health Sector geared towards improving the quality of lives of the Nigerian populace. The Company shall on an annual basis commit both human and financial resources to initiatives that will help in emancipating the citizenry from life-threatening health challenges at all levels of the country's social strata with a view to advancing the Human Capital Resources of the Nigerian Economy thereby projecting the organization as a Pioneering Leader in Health-related concerns.

Sports

As it has been identified that sports is a common unifying denominator for the country, our intervention in this area will be focused on using this human activity to promote, advance and reinforce the unity of Nigeria by collaborating from time to time with various sporting organizations and professionals by committing a portion of the company's resources to the development of sports in the country at all strata of the country's government structure with a view to generating mass appeal awareness for the STI Brand through this platform.

Environment (Community)

Our role here will be to play an active part in the development and enhancement of the Nation's environment by supporting key infrastructural projects solely or in partnership with any level of the Government structures, Civil Societies and Private Organizations across the country. Fundamentally, the main objective for the company in this regard will be to amplify the campaign against degradation and depletion of our environment in any form. All other progressive human endeavours ranging from Arts, Science, Social Sciences and Humanities et al shall benefit from the company's CSR machinery under the Environmental platform.

Sustainability Mode

In accentuating the company's set out CSR initiatives and to effectively engage all stakeholders in providing sustainable intervention for its entire programme on a year-on-year basis, The Company shall deliberately set aside a portion of its annual operating budget for the execution of same.

The aspiration of the Company in the years ahead is to put in place a pool of funds to be managed under the yet-to-be-established STI Foundation with well-meaning and credible Nigerians providing trusteeship support to the Foundation.

Compliance with Laws, Rules and Regulations
Obeying the law, both in letter and in spirit, is the foundation on which our Company's ethical standards are built.

All employees must respect and obey the laws, rules and regulations of the states and countries in which the Company operates. Although employees are not expected to know the details of each of these laws, rules and regulations, it is important to know enough to determine when to seek advice from line managers or other appropriate personnel. Employees are reminded that ignorance of the law is not a defense. This fundamental principle applies in all jurisdictions.

We do not condone bribery or corruption in any form. We are proud of our reputation as a trusted and respected business with integrity. We do not tolerate any form of corruption whether directly by employees or indirectly through business partners who act on our behalf.

The Board
Sovereign Trust Insurance Plc is headed by an effective Board of Directors, which is collectively responsible for the successful management of the Company. The traditional role of Sovereign Trust Insurance Plc's Board is to provide the Company with entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed while deploying the Company's resources to profitable use. The Board is responsible for determining the Company's objectives, corporate strategy, core values and standards to ensure that the necessary financial and human resources are in place to assist management in the day to day running of the Company.

Director Nomination Process
The Board's Enterprise Risk Management and Governance Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

With respect to new appointments, the Board Enterprise Risk Management and Governance Committee identifies, reviews and recommends candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefit of diversity on the Board, including gender as well as the balance and mix of appropriate skills and experience.

Shareholding in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of the National Insurance Commission (NAICOM) and shareholders at the Annual General Meeting.

Induction and Continuous Training of Board members

On appointment to the Board and to Board Committees, all Directors receive an induction tailored to meeting their individual requirements. The new Directors go through an orientation focusing on the Company and its operations with a view to acquiring a detailed understanding of the Company's operations, its strategic plan, its business environment, the key issues the Company faces and to introduce Directors to their fiduciary duties and responsibilities.

The training and education of Directors on issues pertaining to their oversight functions is a continuous process, to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

14 **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 2017 or its financial performance for the year then ended that have not been adequately provided for or disclosed.

15 **EQUITY RANGE ANALYSIS**

The range of shareholding as at 31 December 2017 is as follows:

Range	No. of Holders	Percent	Unit	Percent
1- 1,000	802	8.83%	380,367	0.00%
1,001- 5,000	1,635	18.01%	4,868,967	0.06%
5,001- 10,000	1,066	11.74%	7,930,051	0.10%
10,001- 50,000	2,885	31.78%	73,002,435	0.88%
50,001- 100,000	982	10.82%	69,942,323	0.84%
100,001- 500,000	1,192	13.13%	246,486,217	2.96%
500,001- 1,000,000	195	2.15%	141,673,610	1.70%
1,000,001- 5,000,000	227	2.50%	464,567,617	5.57%
5,000,001- 10,000,000	27	0.30%	212,731,268	2.55%
10,000,001- Above	67	0.74%	7,119,240,441	85.35%
Grand Total	9,078	100%	8,340,823,296	100%

Substantial Interest in Shares

According to the register of members as December 31, 2017, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

NAME	NO. OF HOLDING	% OF HOLDING
Morning Side Capital Partners Ltd	1,575,000,000	18.88
Bayelsa State Ministry of Finance Incorporated	900,000,000	10.79
TEEOF Holding Ltd	821,572,742	9.85
Others	5,044,250,554	60.48
TOTAL	8,340,823,296	100

16 DONATIONS AND SPONSORSHIP

The tax allowable donations and sponsorship made during the year was ₦1,850,000 (2016:₦2,495,000).

in thousands of Nigerian Naira	*2017*	*2016*
Igbobi College Old Boys Association	1,000,000	-
Chartered Insurance Institute of Nigeria	450,000	500,000
Institute Of Chartered Accountants Of Nigeria	250,000	-
Actuarial Science & Insurance Students Association	100,000	-
Lagos State University College of Medicine	50,000	-
Nigerian Insurers Association	-	500,000
Professional Insurance Ladies	-	450,000
Hope Builders Skills Development & Acquistion Foundation	-	340,000
Loyola Jesuit College Parents Association	-	250,000
Chartered Institute of Taxation of Nigeria	-	250,000
Univeresity of Lagos (Azisa)	-	205,000
	1,850,000	2,495,000

17 **PROPERTY, PLANT AND EQUIPMENT**

Information relating to the Company's property, plant and equipment is detailed in the Note 23 to the financial statements.

18 **The Board**

Sovereign Trust Insurance Plc is headed by an effective Board of Directors, which is collectively responsible for the successful management of the Company. The traditional role of Sovereign Trust Insurance Plc's Board is to provide the Company with entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed while deploying the Company's resources to profitable use. The Board is responsible for determining the Company's objectives, corporate strategy, core values and standards to ensure that the necessary financial and human resources are in place to assist management in the day to day running of the Company.

Director Nomination Process

The Board's Enterprise Risk Management and Governance Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

With respect to new appointments, the Board Enterprise Risk Management and Governance Committee identifies, reviews and recommends candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefit of diversity on the Board, including gender as well as the balance and mix of appropriate skills and experience.

Shareholding in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of the National Insurance Commission (NAICOM) and shareholders at the Annual General Meeting.

Induction and Continuous Training of Board members

On appointment to the Board and to Board Committees, all Directors receive an induction tailored to meeting their individual requirements. The new Directors go through an orientation focusing on the Company and its operations with a view to acquiring a detailed understanding of the Company's operations, its strategic plan, its business environment, the key issues the Company faces and to introduce Directors to their fiduciary duties and responsibilities.

The training and education of Directors on issues pertaining to their oversight functions is a continuous process, to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

19 **BOARD COMMITTEES**

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

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

a 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

b Investment Committee

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

c Enterprise Risk Management and Governance Committee

1. Col. Musa Shehu (Rtd)	Chairman
2. Ms. Emi Faloughi	Member
3. Mr. Adedmola Dania	Member
4. Mr. Olaotan Soyinka	Member
5. Mrs. Ugochi Odemelam	Member

d Audit Committee

Pursuant to Section 359(3) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation 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 2017.

19 RECORD OF COMMITTEES ATTENDANCE

a Record of attendance at board meetings for the year 2017

DIRECTORS	20-Apr-17	17-May-17	20-Sep-17	19-Dec-17
Mr. Oluseun O. Ajayi	Yes	Yes	Yes	Yes
Mr. Olaotan Soyinka	Yes	Yes	Yes	Yes
Mrs. Ugochi Odemelam	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes
Mr. Adedamola Dania	Yes	Yes	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes
Col. Musa Shehu (Rtd), OFR	Yes	Yes	Yes	Yes
Jude Modilim	-	-	-	Yes

b Record of attendance at the Finance & General Purposes Committee meetings for 2017

MEMBERS	19-Apr-17	10-May-17	7-Aug-17	26-Oct-17	14-Dec-17
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes	Yes
MR. Adedamola Dania	Yes	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes	Yes
MR. Olaotan Soyinka	Yes	Yes	Yes	Yes	Yes
MRS. Ugochi Odemelam	Yes	No	Yes	No	Yes

c Record of attendance at the Investment Committee meetings for 2017

MEMBERS	19-Apr-17	10-May-17	7-Aug-17	26-Oct-17	14-Dec-17
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes	Yes
MR. Adedamola Dania	Yes	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes	Yes
MR. Olaotan Soyinka	Yes	Yes	Yes	Yes	Yes
MRS. Ugochi Odemelam	Yes	No	Yes	No	Yes

d Record of attendance at the Enterprise Risk Management & Governance Committee meetings for 2017

MEMBERS	23-Mar-17	16-May-17	7-Aug-17	18-Dec-17
Col. Musa Shehu (rtd) (OFR)	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes
MR. Adedamola Dania	Yes	Yes	Yes	Yes
MR. Olaotan Soyinka	Yes	Yes	Yes	Yes
MRS. Ugochi Odemelam	Yes	Yes	Yes	Yes

e Record of attendance at the Audit & Compliance Committee meetings in 2017

MEMBERS	17-Apr-17	18-Jul-17	30-Nov-17	7-Dec-17
Otunba Olufemi Dina	Yes	Yes	Yes	Yes
Mr. Babatunde Aderamaja	Yes	Yes	Yes	Yes
Ms. Omozusi Iredia	Yes	Yes	Yes	Yes
Ms. Emi Faloughi	Yes	Yes	Yes	Yes

20 **AUDITORS**

The Auditors, Messrs. Ernst & Young, 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

Yetunde Martins
FRC/2013/NBA/0000003399

Equity Union Limited
Company Secretary
Lagos, Nigeria

Date: 27 March 2018

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 the scope and planning of both the external and internal audits for the year ended 31 December 2017 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: 27 March 2018

Members of the Audit Committee are:

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

Secretary to the Committee
Yetunde Martins

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 judgement 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 profits 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
Date: 27 March 2018

Mr. Olaotan Soyinka
FRC/2013/CIIN/00000002671
Managing Director/CEO
Date: 27 March 2018

CERTIFICATION PURSUANT TO SECTION 60 (2) OF THE INVESTMENT AND SECURITIES ACT NO. 29 OF 2007

FOR THE YEAR ENDED 31 DECEMBER 2017

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2017 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 is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;

➢ 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 the Audit Committee:

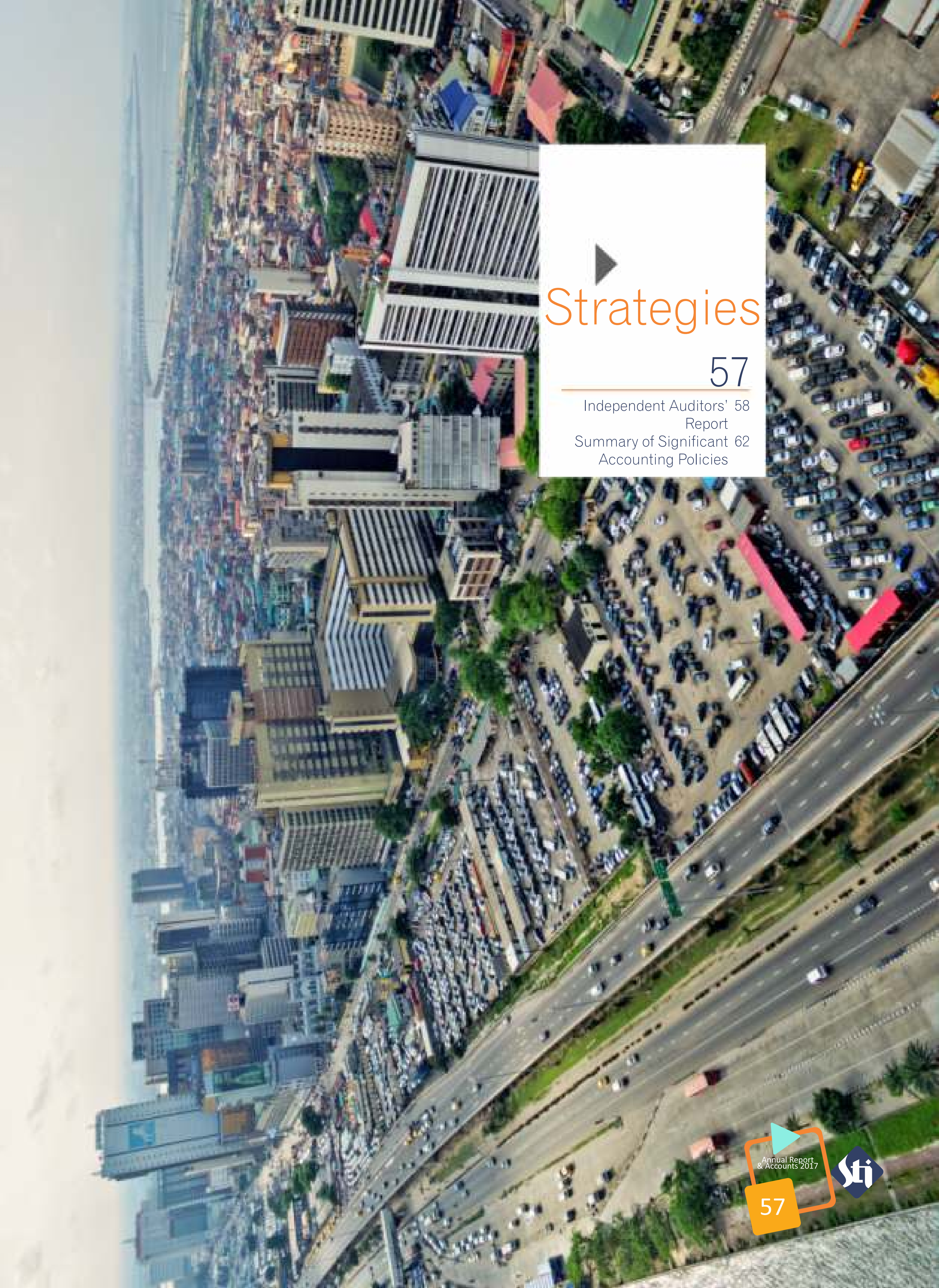
➢ All significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls, and

➢ 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



Strategies

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Independent Auditors' Report

TO THE MEMBERS OF SOVEREIGN TRUST INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sovereign Trust Insurance Plc, ("the company") which comprise the statement of financial position as at 31 December 2017, 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 accompanying financial statements of Sovereign Trust Insurance Plc present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards 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 ae independent of the Company in accordance with the International Ethics Standards Board of 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 Matter

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 the 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

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Key Audit Matter Cont.

of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Included in the company's insurance contract liabilities is outstanding claims provision of N1.3 billion (2016: N1.0 billion) as at 31 December 2017 representing 24.18% (2016: 25%) 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. The accounting policies and details relating to the insurance contract liabilities are disclosed in Notes 2.14 and 26.1 to the financial statements respectively.	Consistent with the insurance industry practice, the Company engaged the actuary to test the adequacy of the insurance contract valuation as at year end. With the assistance of our actual specialists, we performed the following audit procedures on the company's actuarial report: i. Considered 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. Considered 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. 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 Financial Highlights, Report of the Directors, Report of the Audit Committee, Revenue account, Statement of Value Added and Five-year Financial Summary as required by the companies and Allied Matter Act, CAP 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 auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 for 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 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

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required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the 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 compiled 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 in the current period and are therefore the key audit matters. We describe these matters in our auditor 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 Requirement

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003, we confirm that:

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

ii) in our opinion, proper books of account have been kept by the company, in so far as it appears from our examination of these book;

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

iv) in accordance with the provisions of section 28(2) of the Insurance Act 2003, the statement of financial position and statement of profit or loss respectively gives a true and fair view of financial position and financial performance of the Company.

Contraventions
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 note 39 of the financial statements

Kayode Famutimu, FCA,
FRC/2012/ICAN/00000000155

For:Ernst & Young
Lagos, Nigeria

Date 28 March 2018

1 Corporate Information

Sovereign Trust Insurance Plc ("The Company") was incorporated as a limited liability company on 26 February 1980, but was reorganized and commenced business as a reorganized non-life insurance company on 2 January 1995 with an authorized share capital of ₦30 million and a fully paid up capital of the ₦20 million following the acquisition and recapitalization of the then Grand Union Assurance Limited. The Company was listed on the Nigerian Stock Exchange on 29 November 2006.

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

The principal activity of the Company continues to be the provision of all classes of non-life insurance and special risk insurance, settlement of claims and Insurance of Policy Holders' Fund. The Company head office is at 17 Ademola Adetokunbo Street, Victoria Island, Lagos with 17 other branches spread across major cities.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of presentation and statement of 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, building 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.

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 exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

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

Functional currency

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

2.5 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.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs are attributable to the acquisition of the financial asset.

Effective interest method

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as Fair Value Through Profit or Loss (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.

2.6.6 **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.

2.6.7 ***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 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.

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.

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.

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.

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 fromuse 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 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

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%
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.

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

(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.

Defined benefit plan

The Company operates a defined benefit plan to employees who are qualified as at the period it was discontinued.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Group recognises related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'Other operating and administrative expenses' in the statement of profit or loss:

▶ Service costs comprising current service costs, past service costs, and non-routine settlements

▶ Net interest expense or income

2.19 **Borrowings**

Finance cost 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.

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 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.

Company as a lessee
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.

Company as a lessor
Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. All other leases are considered finance leases.

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 life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Key sources of estimation uncertainty

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

Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

The carrying amount for non-life insurance contract liabilities at the reporting date is ₦3,261 billion (2016: ₦2,839 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 ₦1.026 billion (2016: ₦563 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 issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Company intends to adopt these standards, when they become effective.

The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Classification and measurement
A debt instrument is generally measured at amortised cost if both of the following conditions are met:
(a) the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is normally measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:
(a) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that is not measured at amortised cost or at FVOCI must be measured at Fair value through profit or loss (FVTPL). An entity may irrevocably designate a debt instrument as measured at FVTPL at initial recognition. This is allowed if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch').

Impact

From the results, the Company does not expect significant impact on its debt financial assets such as other receivables, staff loans, cash & cash equivalent and short term deposit. These instruments are currently measured at amortised cost and are expected to be measured at amortised cost under IFRS 9 as they are held to collect contractual cash flows.

The Company expects medium impact on the treasury bills currently measured at amortised cost. The treasury bills are held to collect contractual cash flow, manage liquidity and match the duration of insurance liabilities. Hence, the business model is achieved both by collecting contractual cash flows and selling. Treasury bills would therefore be measured at Fair value through other comprehensive income under IFRS 9.

Equity Instrument
Equity instruments and derivatives are normally measured at FVTPL. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. For the purpose of this election, 'equity instrument' is used as defined in IAS 32 Financial Instruments: Presentation.

Although most gains and losses on investments in equity instruments designated at FVOCI will be recognised in OCI, dividends will normally be recognised in profit or loss. Meanwhile, gains or losses recognised in OCI are never reclassified from equity to profit or loss. Consequently, there is no need to review such investments for possible impairment.

Impact
Quoted equity and unquoted equity would be measured at FVTPL except the Group makes an irrecoverable option to designate at FVOCI. Unquoted equity previously measured at cost because it does not have quoted price in an active market must be measured at fair at the date of transition. Hence, any difference

between the previous carrying amount and the fair value will be recognised in the opening retained earnings at the date of transition. It is estimated that on adoption of the new standard on 1 January 2018, the fair value of equity instruments would increase by N5.3million with a corresponding increase in retained earnings.

Financial liabilities

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The derecognition rules have been transferred fromIAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets:

IFRS 9 requires an entity to recognise a loss allowance for expected credit losses on: debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and lease receivables.

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach
- The purchased or originated credit-impaired approach

The general approach

Using the general approach to recognising impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument. Simplified approach for trade receivables.

IFRS 9 states that an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

(a) trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that:

(i) do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with IFRS 15(63); or

(ii) contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

IFRS 9 states that an entity shall measure expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

Impact

In measuring the loss allowance, the general approach will be used for the term loan, staff loan and Treasury bill (carried at amortised cost and FVTOCI).

The Company has a policy choice either to use the general approach or the simplified approach in recognizing impairment for lease receivables.

The Company is required to estimate the reasonably possible loss scenarios and the respective probabilities to arrive at an unbiased and probability weighted amount that reflects the time value of money, based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company will take the followings into consideration:

- The period over which to estimate ECLs
- Probability – weighted outcomes
- The time value of money (Sovereign Trust Insurance Plc will ignore the need to consider explicitly the time value of money, because the effect is considered immaterial)

- Reasonable and supportable information.

The ECLs in respect of receivables are recognized as a loss allowance against the gross carrying amount of the asset, with the resulting loss being recognized profit or loss.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

IFRS 15 applies to all entities and all contracts with customers to provide goods or services in the ordinary course of business, except for the following contracts, which are specifically excluded:

- Lease contracts within the scope of IAS 17 Leases (or IFRS 16 Leases)
- Insurance contracts within the scope of IFRS 4 Insurance Contracts
- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures
- Non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers

Impact

IFRS 15 applies to all contracts with customers other than specific contracts excluded from its scope.

All insurance contracts and fees received for the various components of service relating to these contracts are subject to the insurance guidance rather than IFRS 15. Hence, IFRS 15 would not have any significant impact on the Company.

IFRS 16 – Leases

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

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-statement of financial position 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-termleases (i.e., leases with a lease termof 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 liability 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.

In 2018, The Company will continue to assess the potential effect of IFRS 16 on its financial statements.

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. The Company is assessing the potential effects of the amendments on its financial statements.

IFRS 17 Insurance Contracts

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

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position;

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts;

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

New and amended standards and interpretations

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

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

Amendments to IAS 7: Disclosure Initiative

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

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

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

Annual Improvements Cycle - 2014-2016:

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal Company that is classified) as held for sale. During 2017 and 2016, the Company had no interests classified as such, and therefore these amendments did not affect the Company's financial statements.

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CONNECTIONS BUILT ON TRUST

Our passion provides fuel for our connections and upward mobility - assuring our arrival at targeted destination.

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

in thousands of Nigerian Naira	Notes	2017	2016
Gross premium written	5	8,513,503	6,399,854
Gross premium income	5	8,300,968	6,763,129
Premiums ceded to reinsurers	5	(4,448,446)	(2,845,715)
Net premium income		3,852,522	3,917,414
Commission income	6	301,587	354,125
Net underwriting income		4,154,109	4,271,539
Net claims expenses	7	(1,303,145)	(1,440,861)
Underwriting expenses	8	(1,640,653)	(1,178,956)
Underwriting profit		1,210,311	1,651,722
Investment income	9	326,676	281,288
Fair value gain/(loss) on quoted equities	15.4	40,549	(17,952)
Share of profit from associate	19.1	4,321	8,753
Net fair value gain on investment properties	20	34,826	14,864
Other operating income	10	239,402	20,432
Management expenses	11	(1,531,911)	(1,888,611)
Result of operating activities		324,174	70,496
Finance costs		(121,480)	(25,521)
Profit before income tax		202,694	44,975
Income tax expense	12	(44,825)	(21,383)
Profit after income tax		157,869	23,592
Earnings per share:			
Basic and diluted (kobo)	13	1.89	0.28

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

in thousands of Nigerian Naira	Notes	2017	2016
Profit after income tax		157,869	23,592
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gain/(loss) arising from available for sale financial assets	15.4	8,933	(5,155)
		8,933	(5,155)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain in defined gratuity scheme	31.2	28,370	23,581
Effect of tax at 30%	24.2	(8,511)	(7,074)
		19,859	16,507
Revaluation gain on building	23	71,164	250,412
Effect of tax at 30%	24.2	(21,349)	(75,124)
		49,815	175,288
		69,674	191,795
Total other comprehensive income for the year, net of tax		78,607	186,640
Total comprehensive income for the year		236,476	210,232

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

As at 31 December 2017

in thousands of Nigerian Naira	Notes	2017	2016
Assets			
Cash and cash equivalent	14	3,400,291	3,015,331
Investment securities	15	1,025,722	562,846
Trade receivables	16	329,648	308,428
Reinsurance Assets	17	2,500,761	1,733,315
Deferred acquisition costs	22	439,068	496,295
Other receivables and prepayments	18	50,155	39,006
Investment in associate	19	71,178	66,857
Investment properties	20	1,161,581	1,181,454
Intangible assets	21	15,505	20,792
Property, plant and equipment	23	1,386,862	1,620,472
Deferred tax assets	24.2	121,904	151,764
Statutory Deposit	25	315,000	315,000
Total assets		10,817,675	9,511,560
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	26	3,260,519	2,838,600
Borrowing	27	861,919	750,456
Bank Overdrafts	28	78,897	108,641
Trade payables	29	710,333	225,953
Other payables and accruals	30	180,132	121,918
Current income tax payable	24.1	71,739	46,158
Retirement benefit obligation	31	182,232	184,406
Total liabilities		5,345,771	4,276,132
Equity			
Issued by paid-up share capital	32.1	4,170,412	4,170,412
Share premium	32.2	116,843	116,843
Contingency reserve	32.3	2,332,596	2,077,191
Revaluation reserve	32.4	225,103	175,288
Available-for-sale reserve	32.5	4,949	(3,984)
Accumulate losses	32.6	(1,377,999)	(1,300,322)
Total equity		5,471,904	5,235,428
Total liabilities and equity		10,817,675	9,511,560

The financial statements and accompanying summary of accounting policies and notes to the financial statements were approved and authorised for issue by the board of Directors on 26 March 2018 and were 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

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

in thousands of Nigerian Naira	Issued and paid up share capital	Share premium	Contingency reserve	Revaluation reserve	Available-for-sale-reserve	Accumulated losses	Total equity
As at 1 January 2016	4,170,412	116,843	1,885,195	-	1,171	(1,148,425)	5,025,196
Profit after income tax for the year	-	-	-	-	-	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	-	-	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
Profit after income tax for the year	-	-	-	-	-	157,869	157,869
Other comprehensive income	-	-	-	49,815	8,933	19,859	78,607
Total comprehensive income for the year	-	-	-	49,815	8,933	177,728	236,476
Transfer to contingency reserve	-	-	255,405	-	-	(255,405)	-
As at 31 December 2017	4,170,412	116,843	2,332,596	225,103	4,949	(1,377,999)	5,471,904

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

in thousands of Nigerian Naira	Notes	2017	2016
Operating activities:			
Premium received from policy holders		8,492,283	6,207,177
Claims recovered from to reinsurers	7	425,725	89,067
Cash paid to and on behalf of employees	11.1	(870,763)	(810,195)
Reinsurance premium paid		(4,098,040)	(2,753,314)
Fees and commission Income	6	301,587	354,125
Commission paid	8	(1,148,514)	(899,900)
Other operating cash payments		(985,199)	(747,805)
Interest and dividend income		326,109	270,192
Claims paid	26.1	(1,990,761)	(1,395,324)
Gratuity benefit paid to employees	31.2	(2,173)	(26,081)
Company income tax paid	24.1	(19,244)	(13,350)
Net cash flows from operating activities	33.1	431,010	274,592
Investing activities:			
Purchase of property, plant and equipment	23	(169,903)	(342,275)
Purchase of intangible assets	21	(12,000)	(6,404)
Receipts from loans	15.3	14,183	7,127
Purchase of held-to-maturity bonds	15.4	(20,000)	(20,000)
Proceeds from bonds maturity	15.4	1,736	41,750
Proceeds on sale of property, plant and equipment		379,999	3,282
Purchase of investment properties	20	(5,301)	(6,769)
Proceeds from disposal of investment properties		60,000	198,435
Purchase of quoted stock	15.4	(22,456)	-
Proceeds from disposal of quoted stock	15.4	97,698	15,773
Investment in unquoted stock		-	(75,160)
Purchase of treasury bills	15.4	(484,199)	
Proceed on treasury bill maturity	15.4	21,380	341,362
Net cash flows (used in)/from in investing activities	33.1	(138,863)	157,122
Financing activities:			
Repayment of borrowing	27	-	(106,488)
Net cash flows used in financing activities		-	(106,488)
Net increase in cash and cash equivalents		292,147	325,226
Net foreign exchange difference		122,557	(1,231)
Cash and cash equivalents at 1 January	33	2,906,690	2,582,695
Cash and cash equivalents at 31 December	33	3,321,394	2,906,690

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

5 Net premium income

Premium earned by principal class of business

in thousands of Nigerian Naira	2017 Gross	2017 Reinsurance	2017 Net	2016 Gross	2016 Reinsurance	2016 Net
Motor	1,393,997	(31,097)	1,362,900	1,227,528	(4,559)	1,222,969
Fire and property	1,536,506	(540,044)	996,462	1,107,043	(206,654)	900,389
General accident	793,698	(258,580)	535,118	834,984	(191,094)	643,890
Marine and aviation	881,705	(475,579)	406,126	598,224	(152,318)	445,906
Oil and gas	3,348,894	(2,584,322)	764,572	2,235,192	(2,095,630)	139,562
Car and engineering	558,703	(265,040)	293,663	396,883	(69,319)	327,564
	8,513,503	(4,154,661)	4,358,842	6,399,854	(2,719,574)	3,680,280
Change in unearned premium	(212,535)	(293,785)	(506,320)	363,275	(126,141)	237,134
Total premium income	8,300,968	(4,448,446)	3,852,522	6,763,129	(2,845,715)	3,917,414

6 ***Commission income***

in thousands of Nigerian Naira	2017	2016
Oil and gas	142,576	235,925
Fire and property	59,872	37,835
General accident	51,658	36,559
Marine and aviation	27,471	31,615
Car and engineering	19,640	11,822
Motor	370	369
	301,587	354,125

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.

7 **Net claims expenses**

in thousands of Nigerian Naira	Notes	2017	2016
Gross claims paid	26.1	1,990,761	1,395,324
Changes in outstanding claims provision	26.1	209,384	155,091
		2,200,145	1,550,415
Re-insurance recoverable:			
Claims recoveries		(425,725)	(89,067)
Changes in outstanding claims due from reinsurers		(471,275)	(20,487)
		1,303,145	1,440,861

8 Underwriting expenses

Acquisition costs incurred:		
Commission paid	1,148,514	899,900
Changes in deferred acquisition costs	57,227	71,524
Commission incurred	1,205,741	971,424
Maintenance cost	434,912	207,532
	1,640,653	1,178,956

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

9 Investment income

in thousands of Nigerian Naira	Notes	2017	2016
Interest income		311,813	260,326
Dividend income		14,296	9,866
Net income on investment properties		567	11,096
		326,676	281,288

10 Other operating income

	Notes	2017	2016
Recovery of bad debt		-	2,621
Gain on disposal of property, plant and equipment		56,838	3,282
Foreign exchange difference		122,557	-
Sundry income	10.1	60,007	14,529
		239,402	20,432

10.1 Sundry income

Sundry income represent Stamp duty that was previously over charged by Federal Inland Revenue Services now recovered by NAICOM.

11 Management expenses

in thousands of Nigerian Naira	Notes	2017	2016
Employee benefits expense	11.1	870,763	810,195
Other expenses	11.2	433,892	532,396
Depreciation on PPE	23	151,516	114,596
Exchange difference on Daewoo Bond		33,107	307,398
Bad debt written off		-	83,294
Directors fee and allowance		15,346	17,196
Amortisation of intangible assets	21	17,287	15,036
Auditors' remunerations		10,000	8,500
		1,531,911	1,888,611

11.1 Employee benefits expense

Wages and salaries		741,927	754,327
Defined contribution pension costs		38,555	25,709
Defined benefit plan		90,281	30,159
		870,763	810,195

11.2 Other expenses

in thousands of Nigerian Naira	Notes	2017	2016
NAICOM and Other Association Levy		59,984	46,820
Rent and rate		40,114	36,861
Forms and printing expenses		38,721	20,664
Bank charges		30,897	33,169
Professional fees		30,703	29,861
Advertising		26,416	60,429
Fuel, Electricity & Energy		24,037	51,572
Insurance		19,010	34,726
Office building maintenance and security		19,622	29,586
Automobile expenses		17,499	15,846
Staff training & education		16,477	18,511
Transport and traveling expenses		14,676	24,468
Gift Expenses		13,680	19,598
Data processing		12,986	19,906
SEC and NSE expenses		10,200	1,667
Telephone expenses		8,022	12,228
Annual general meeting expenses		8,926	11,879
Equipment maintenance & repairs		6,287	10,021
Contribution to I.T.F levy		7,331	7,857
Office and stationery expenses		6,817	6,915
Hotel accommodation		3,947	5,607
Contribution to NSITF		3,768	4,285
Local government dues		1,837	5,820
Entertainment		2,783	5,093
Courier and postages expenses		2,667	3,547
Periodicals & Books		1,978	7,672
Contribution & donation		1,850	2,495
Tax consultancy expenses		1,550	1,068
Club membership & subscriptions		1,107	2,364
Unrealised foreign exchange difference		-	1,231
Staff uniforms		-	630
		433,892	532,396

12 Income tax expense

The major components of income tax expenses for the year ended 31 December 2017 and 2016 are:

12.1 Current tax year charge

in thousands of Nigerian Naira	Notes	2017	2016
Current year tax:			
Minimum tax		37,114	36,242
Capital gain tax		5,684	-
Education tax		-	4,832
Information technology levy		2,027	1,326
		44,825	42,400
Deferred taxation:			
Origination of temporary differences		-	(21,017)
		-	(21,017)
Total income tax expense		44,825	21,383

12.2 Reconciliation of tax charge

Profit before income tax		202,694	44,975
Tax at Nigerian's statutory income tax rate of 30%		60,808	13,493
Tax exempt income		(60,808)	(13,493)
Information Technology		2,027	1,326
Tax effect of temporary differences		-	(21,017)
Capital gain tax		5,684	-
Education tax @2% of assessable profit		-	4,832
Minimum tax		37,114	36,242
		44,825	21,383

13 Earnings per share

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

The following reflects the income and share data used in the basic earnings per share computations:

in thousands of Nigerian Naira	Notes	2017	2016
Net profit attributable to ordinary shareholders			
for basic earnings		157,869	23,592
Weighted average number of ordinary shares for basic earnings per share		8,340,824	8,340,824
Basic earnings per ordinary share (kobo)		1.89	0.28
Diluted earnings per ordinary share (kobo)		1.89	0.28

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.

14 **Cash and cash equivalents**

As at in thousands of Nigerian Naira	Notes	31 December 2017	31 December 2016
Bank balances		1,634,675	452,106
Short-term deposits (including demand and time deposits)		1,765,616	2,563,225
		3,400,291	3,015,331

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 (2016: 11%).

15 Investment securities

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
Fair value through profit or loss		165,188	199,881
Available-for-sale financial assets	15.1	659,678	187,926
Held-to-maturity	15.2	160,600	142,336
Loans and receivables at amortised cost	15.3	40,256	32,703
		1,025,722	562,846
15.1 Available-for-sale financial assets			
Treasury bills		477,080	21,380
Equity portfolio		70,207	54,155
Equity securities at cost		112,391	112,391
		659,678	187,926
15.2 Held-to-maturity			
Federal Government bonds		79,132	81,190
State Government bonds		61,050	40,719
Corporate bonds		20,418	20,427
		160,600	142,336
Fair value			
Bond securities		156,659	130,575
15.3 Loans and receivables at amortised cost			
Mortgage loan		18,520	32,703
Loans to corporate		21,736	-
		40,256	32,703

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

15 Investment securities - Continued

15.4 ***Carrying values of financial instruments***

in thousands of Nigerian Naira	Fair value through profit or loss	Available-for-sale	Held-to Maturity	Loans and Receivables	Total
At 1 January 2016	233,606	459,283	164,086	72,929	929,904
Purchases	-	75,160	20,000	-	95,160
Fair value loss	(17,952)	-	-	-	(17,952)
Maturities	-	(341,362)	(41,750)	(7,127)	(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	199,881	187,926	142,336	32,703	562,846
Purchases/interest	22,456	484,199	20,000	21,736	548,391
Fair value gain	40,549	-	-	-	40,549
Maturities/repayments	-	(21,380)	(1,736)	(14,183)	(37,299)
Disposals	(97,698)	-	-	-	(97,698)
Fair value gain recorded in other comprehensive income	-	8,933	-	-	8,933
At 31 December 2017	165,188	659,678	160,600	40,256	1,025,722

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.

15 Investment securities - Continued

15.5 ***Determination of fair value and fair value hierarchy***

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by value technique:

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

in thousands of Nigerian Naira	Level 1	Level 2	Level 3	Total
31 December 2017				
Available for sale: Treasury bill	-	547,287	-	547,287
Held-to-maturity: debt securities	-	156,659	-	156,659
Fair value through profit or loss	165,188	-	-	165,188

During the year ended 31 December 2017, there were no transfers between level 1 and level 2 and in and out of level 1 and 3.

in thousands of Nigerian Naira	Level 1	Level 2	Level 3	Total
31 December 2016				
Available for sale: Treasury bill	-	75,535	-	75,535
Held-to-maturity: debt securities	-	130,575	-	130,575
Fair value through profit or loss	199,881	-	-	199,881

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.

16 Trade receivables

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
Insurance receivables		329,648	308,428

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

16.1 *Analysis of insurance receivables by counter party*

in thousands of Nigerian Naira	Notes	31 December 2017	31 December 2016
Gross			
Due from insurance brokers		329,658	297,673
Due from insurance companies		-	10,755
		329,658	308,428

17 Reinsurance assets

Reinsurance share of outstanding claims		755,921	284,646
Prepaid reinsurance	17.1	1,744,840	1,448,669
		2,500,761	1,733,315

Included as part of the prepaid reinsurance asset is the sum of ₦606.8 million(2016 ₦16.8 million) which is an advance reinsurance payment for 2018 policies that are yet to commence.

At 31 December 2017, 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.

17.1 The movement in prepaid reinsurance

in thousands of Nigerian Naira	Notes	31 December 2017	31 December 2016
At 1 January		1,448,669	1,557,939
Additions during the year		4,744,617	2,736,445
Recognised in profit or loss	5	(4,448,446)	(2,845,715)
At 31 December		1,744,840	1,448,669

18 Other receivables and prepayments

in thousands of Nigerian Naira	Notes	31 December 2017	31 December 2016
Staff debtors		6,510	7,673
Prepayments		43,645	31,333
		50,155	39,006

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.

19 Investment in associate

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
Investment in STI Leasing		74,200	74,200
Share of accumulated loss in STI Leasing	19.1	(3,022)	(7,343)
		71,178	66,857

19.1 Analysis of share of associate loss

Opening balance		(7,343)	(16,096)
Share of profit during the year		4,321	8,753
		(3,022)	(7,343)

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.

20 Investment properties

in thousands of Nigerian Naira	Notes	31 December 2017	31 December 2016
At the beginning of the year		1,181,454	1,358,256
Additions		5,301	6,769
Disposal		(60,000)	(198,435)
Fair value gain		34,826	14,864
At the end of the year		1,161,581	1,181,454

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), Amos Jolaoye & Co., Sumbo Iluyemi & Co. and Barin Epega & Company (FRC/2012/NIESV/00000000597) accredited independent valuers as at 31 December 2017. 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 percularities 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.

20 **Investment properties - Continued**

in thousands of Nigerian Naira	31 December 2017	31 December 2016
Rental income derived from investment properties	567	19,855
Investment properties related expenses	-	(8,759)
Net profit arising from investment properties carried at fair value	567	11,096

The fair value disclosure for investment properties is as follow

	Fair value measurement using			
	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Date of valuation:				
31 December 2017				
Investment properties	-	-	1,161,581	1,161,581
31 December 2016				
Investment properties	-	-	1,181,454	1,181,454

During the reporting year ended 31 December 2017, there were no transfers between level 1 and level 2 and in and out of level 3.

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.

20 **Investment properties - Continued**

The items of investment properties are as shown below:

in thousands of Nigerian Naira	31 December 2017	31 December 2016
May fair gardens	30,000	32,000
Ibeshe properties	63,147	50,000
Agbara Estate Properties	203,707	203,707
Sunrise Estate Ipaja	37,388	37,000
Solteby Apartment	36,572	32,431
Investment Properties along Epie Swali Road Yenagoa	70,317	60,670
Emerald Court	72,000	125,000
Investment Properties at Alagbaka Junction Akure	398,450	390,646
Investment Properties along Awolowo Road Ikoyi	250,000	250,000
	1,161,581	1,181,454

The movement in investment properties is shown as below:

31 December 2017

in thousands of Nigerian Naira	31 Dec 2016	Additions	Disposal	Fair value gain/(loss)	31 Dec 2017
May fair gardens	32,000	-	-	(2,000)	30,000
Ibeshe properties	50,000	1,300	-	11,847	63,147
Agbara Estate Properties	203,706	-	-	-	203,706
Sunrise Estate Ipaja	37,000	-	-	388	37,388
Solteby Apartment	32,433	-	-	4,139	36,572
Investment Properties along Epie Swali Road Yenagoa	60,670	-	-	9,648	70,318
Emerald Court	125,000	-	(60,000)	7,000	72,000
Investment Properties at Alagbaka Junction Akure	390,645	-	-	7,805	398,450
Investment Properties along Awolowo Road Ikoyi	250,000	4,000	-	(4,000)	250,000
	1,181,454	5,300	(60,000)	34,827	1,161,581

20 **Investment properties - Continued**

31 December 2016

in thousands of Nigerian Naira	31 Dec 2015	Additions	Disposal	Fair value gain/(loss)	31 Dec 2016
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

21 Intangible assets

in thousands of Nigerian Naira	31 December 2017	31 December 2016
Computer software		
Cost:		
At the beginning of the year	54,404	48,000
Additions	12,000	6,404
At the end of the year	66,404	54,404
Accumulated amortization:		
At the beginning of the year	33,612	18,576
Amortisation charge	17,287	15,036
At the end of the year	50,899	33,612
Carrying amount	15,505	20,792

22 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 2016		72,151	122,526	93,847	20,230	45,540	213,525	567,819
Expenses deferred		239,263	172,841	188,007	84,427	140,273	75,090	899,900
Amortisation	8	(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
Expenses deferred		302,010	158,606	148,329	102,886	171,052	265,629	1,148,513
Amortisation	8	(261,948)	(140,568)	(154,433)	(87,752)	(180,087)	(380,953)	(1,205,741)
At 31 December 2017		101,770	47,376	66,594	42,545	35,023	145,760	439,068
Current		101,770	47,376	66,594	42,545	35,023	145,760	439,068
Non-current		-	-	-	-	-	-	-

23 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	78,540	109,963	73,424	913,644	255,859	198,030	2,062,458
Additions	-	300,000	1,550	3,693	978	2,000	29,895	-	4,159	342,275
Transferred 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	110,941	75,424	874,624	255,859	202,189	2,886,230
Additions	-	3,450	-	2,135	673	5,097	150,980	-	7,568	169,903
Disposal	(67,302)	-	-	-	-	-	-	(255,859)	-	(323,161)
Revaluation adjustment	-	71,164	-	-	-	-	-	-	-	71,164
At 31 December 2017	-	1,156,708	135,564	84,368	111,614	80,521	1,025,604	-	209,757	2,804,136
Accummulated depreciation										
At 1 January 2016	-	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
Charge	-	21,711	13,556	3,016	4,722	6,527	93,246	-	8,738	151,516
At 31 December 2017	-	75,709	84,134	79,224	101,956	55,953	816,993	-	203,305	1,417,273
Carrying amount										
At 31 December 2017	-	1,080,999	51,430	5,144	9,658	24,568	208,611	-	6,453	1,386,862
At 31 December 2016	67,302	1,028,096	64,987	6,025	13,707	25,998	150,877	255,859	7,622	1,620,472

* The addition to building represent the ₦300 million balance payment in 2016 in respect of the head office building which was fully acquired later in 2016. A₦300 million transfer from other assets was advance payment made in 2015.

i No leased assets are included in the above property, plant and equipments (2016: Nil).
ii There were no capital commitment contracted or authorised as at the reporting date (2016: Nil).
iii There were not capitalised borrowing cost related to the acquisition of property, plant and equipment during the year (2016: Nil).
iv None of the assets are pledged during the year (2016: Nil).

23 Property, plant and equipment- Continued

The Building at 17, Ademola Adetokunbo, Victoria Island, Lagos (with initial cost of ₦600 million) was valued on the basis of an open market valuation for existing use as of 31 December 2017 for ₦850,000,000 by Amos Jolaoye & Co. Chartered Surveyors, Valuers and Real Estate Consultants. Also, the Company building at 1707A Olugbose Close, Victoria Island, Lagos with (initial cost of ₦224 million) was valued on the basis of an open market valuation for existing use as at 31 December 2017 for ₦231,000,000 by Amos Jolaoye & 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 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 2017	31 December 2016
Cost	906,296	831,682
Accumulated depreciation	(65,691)	(61,131)
	840,605	770,551

24 ***Taxation***

24.1 ***Current income tax payable***

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
At the beginning of the year		46,158	17,108
Amounts recorded in the profit or loss		44,825	42,400
Payments made during the year		(19,244)	(13,350)
		71,739	46,158

24.2 ***Deferred tax assets***

	Notes	2017	2016
Deferred tax asset		121,904	151,764
Movement in deferred tax assets			
At the beginning of the year		151,764	212,945
Amounts recorded in OCI in respect of revaluation surplus		(21,349)	(75,124)
Amounts recorded in OCI in respect of gain on gratuity		(8,511)	(7,074)
Amounts recorded in the profit or loss	12.1	-	21,017
		121,904	151,764
Deferred tax assets is attributable to the following:			
Property, plant and equipment		79,552	100,901
Investment property		(4,460)	(4,460)
Defined benefit obligation		46,812	55,323
		121,904	151,764

Unrecognised deferred tax assets

Deferred tax assets arising from the Company's property, plant and equipment, unabsorbed capital allowance and Unrelieved tax losses have not been recognised because it is not probable that future taxable profit will be available against which the life business can use the benefits therefrom.

in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016
Property, plant and equipment		262,829	62,102
Unabsorbed capital allowance		(244,978)	(239,321)
Unrelieved tax losses		(331,074)	(93,337)
Balance, end of year		(313,223)	(270,555)

25 ***Statutory deposit***

The statutory deposit of ₦315,000,000 represents the amount deposited with the Central Bank of Nigeria as at 31 December 2017 (31 December 2016: ₦315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. The deposit has been tested for adequacy as at 31 December 2017 and found to be adequate.

Interest income earned at annual average rate of 15.32% per annum (2016: 10.37%) and this is included within investment income. However, access to the deposit is restricted.

26 Insurance contract liabilities

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
Claims reported by policyholders		858,832	574,470
Claims incurred but not reported (IBNR)		422,805	497,783
Outstanding claims provisions	26.1	1,281,637	1,072,253
Unearned premiums	26.3	1,978,882	1,766,347
		3,260,519	2,838,600
Current		3,260,519	2,838,600

26.1 Outstanding claims provisions

At 1 January		1,072,253	917,162
Claims incurred in the current year	7	2,200,145	1,550,415
Claims paid during the year	7	(1,990,761)	(1,395,324)
		1,281,637	1,072,253

The aging analysis for claims reported and losses adjusted

Days		
0- 90	105,730	101,020
91- 180	64,678	185,547
181- 270	51,248	157,677
271- 360	54,450	111,732
361 and above	582,726	18,494
Incurred but not reported (IBNR)	422,805	497,783
	1,281,637	1,072,253

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

Analysis of reported claims per class of insurance

Motor Vehicle	190,098	232,370
Fire and property	279,791	33,682
Marine and Aviation	122,717	287,023
General accidents	241,801	83,250
C.A.R. Engineering	59,801	137,288
Energy	387,429	298,640
	1,281,637	1,072,253

26 Insurance contract liabilities- Continued

26.2 Claims incurred but not reported

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

26.3 The movement in unearned premium during the year

As at *in thousands of Nigerian Naira*	Notes	31 December 2017	31 December 2016
At 1 January		1,766,347	2,129,622
Premiums written in the year	5	8,513,503	6,399,854
Premiums earned during the year	5	(8,300,968)	(6,763,129)
		1,978,882	1,766,347

27 Borrowing

At 1 January	750,456	531,976
Interest	78,356	17,570
Repayments	-	(106,488)
Foreign exchange difference	33,107	307,398
	861,919	750,456

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 had a put period of 30 months with a yield to put of 4.25% per annum while the tenor of the convertible option is valid up to year 2024. The purpose for which the Bond was issued relates to Expansion of Branch Network, Upgrade of Information and Communication Technology and Working Capital. However, the Company has secured the consent and agreement of Daewoo Securities (Europe) Limited to restructure the bond for a period of 5 years commencing from year 2013 to 2017 under a new interest rate (10%) arrangement which incorporate any previous default interest.

The Company is currently engaging Daewoo Securities to restructure the balance for another five year.

28 Bank overdrafts

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Bank overdrafts		78,897	108,641

These represent the outstanding balance on bank account which overdraft facilities were agreed on in the prior 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.

29 Trade payables

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Due to insurance companies		154,494	20,520
Due to reinsurance companies		555,839	205,433
		710,333	225,953
Current		710,333	225,953

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.

30 Other payables and accruals

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Lease creditors		55,690	10,240
Sundry creditors		69,931	55,420
Unclaimed dividends		54,511	56,258
		180,132	121,918
Current		180,132	121,918

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.

31 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

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.

As at ***in thousands of Nigerian Naira***	**Notes**	**31 December 2017**	**31 December 2016**
Retirement benefit obligation		182,232	184,406

31.1 Net benefit expense (recognised in statement of profit or loss)

Interest cost		28,369	23,580

31.2 Movement of gratuity

At 1 January			
Current service cost		184,406	210,488
Interest cost	31.1	28,369	23,580
Actuarial gain		(28,370)	(23,581)
Benefits paid		(2,173)	(26,081)
		182,232	184,406

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:

	2017	2016
	%	%
Discount rate	14	16
Rate of salary increases	14	16

31 Retirement benefit obligation- Continued

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 0%
31 – 39	6%
40 – 44	31%
45 – 50	41%
51 – 55	19%
56 – 59	3%

The following payments are expected contributions to the defined benefit plan in the future:

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Between 10 and 15 years		14,856	14,856
Between 15 and 20 years		77,896	80,070
Between 20 and 25 years		89,480	89,480
		182,232	184,406

32 Equity

32.1 Issued and paid- up share capital

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Authorised share capital			
10,500,000,000 Ordinary share of ₦0.50k each		5,250,000	5,250,000
Ordinary shares issued and fully paid			
8,340,823,296 Ordinary share of ₦0.50k each		4,170,412	4,170,412

32.2 Share premium

As at year end	116,843	116,843

32.3 **Contingency reserve**

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
At 1 January		2,077,191	1,885,195
Transfer from accumulated losses		255,405	191,996
		2,332,596	2,077,191

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.

32.4 **Revaluation reserve**

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

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Opening balance		175,288	-
Additional revaluation in the year	23	71,164	250,412
Effect of tax at 30%	24.2	(21,349)	(75,124)
		225,103	175,288

32.5 **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.

32.6 **Accumulated losses**

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

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

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Cash and cash equivalents per statement of financial position		3,400,291	3,015,331
Bank overdrafts	28	(78,897)	(108,641)
		3,321,394	2,906,690

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

As at *in thousands of Nigerian Naira*	**Notes**	**31 December 2017**	**31 December 2016**
Profit before income tax		202,694	44,975
Adjustments for non-cash items:			
Fair value (gain)/loss on quoted equities	15.4	(40,549)	17,952
Loans and receivable written off		-	33,099
Interest on borrowing cost		78,356	17,570
Interest on loans		(21,736)	-
Profit from sale of property and equipment	10	(56,838)	(3,282)
Depreciation of property, plant and equipment	23	151,516	114,596
Amortisation of intangible assets	21	17,287	15,036
Fair value gain on investment properties	20	(34,826)	(14,864)
Share of profit in associate	19.1	(4,321)	(8,753)
Interest cost on retirement benefit		28,369	23,580
Foreign exchange (gain)/loss on cash and cash equivalents		(122,557)	1,231
Unrealised exchange loss foreign borrowing		33,107	307,398
Cash flow from operating profit before changes in operating assets and liabilities		230,502	548,538
Changes in operating assets and liabilities			
Increase in trade receivables		(21,220)	(192,677)
(Increase)/decrease in re-insurance assets		(767,446)	105,655
Decrease in deferred acquisition costs		57,227	71,524
(Increase)/decrease in other receivables and prepayments		(11,149)	74,616
Increase/(decrease) in trade payables		484,380	(87,451)
Increase in other payables and accruals		58,214	2,002
Increase in outstanding claims		209,384	155,091
Increase/(decrease) in unearned premium		212,535	(363,275)
Gratuity paid		(2,173)	(26,081)
Income tax paid		(19,244)	(13,350)
Net cash flows from operating activities		431,010	274,592

34 **Reclassification**

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

As at ***in thousands of Nigerian Naira***	**31 December** **2016**
i. Reinsurance assets	
Amount previously reported	1,716,444
Reclassification of prepaid minimum and deposit from prepayment (see note ii below)	16,871
	1,733,315

As at ***in thousands of Nigerian Naira***	**31 December** **2016**
ii. Other receivables and prepayments	
Amount previously reported	55,877
Reclassification of prepaid minimum and deposit to reinsurance asset (see note i above)	(16,871)
	39,006

As at ***in thousands of Nigerian Naira***	**31 December** **2016**
iii. Management expenses	
Amount previously reported	(1,589,164)
Reclassification of foreign exchange difference on Daewoo Bond from finance cost (see note iv below)	(307,398)
Reclassification of interest on bank overdraft to finance cost from bank charges (see note iv below)	7,951
	(1,888,611)

As at ***in thousands of Nigerian Naira***	**31 December** **2016**
iv. Finance costs	
Amount previously reported	(324,968)
Reclassification of foreign exchange difference on Daewoo Bond to management expenses(see note iii above)	307,398
Reclassification of interest on bank overdraft included as bank charges from management expenses (see note iii above)	(7,951)
	(25,521)

35 Related party disclosures

35.1 *Transactions with related parties*

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

35.2 *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	Notes	2017	2016
Short term employee benefits		73,816	13,947
Post employment pension benefits	1,853	1,853	
Total compensation of key management personnel		75,669	15,800

36 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.

36 **Risk management framework - Continued**

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;
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	2017	2016
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	5,471,904	5,235,428
Regulatory adjustments	(181,054)	(220,760)
Available capital resources	5,290,850	5,014,668
Minumum capital based required by regulator	3,000,000	3,000,000
Excess in solvency margin	2,290,850	2,014,668

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.

36 **Risk management framework - Continued**

The Solvency Margin for the Company as at 31 December 2017 is as follows:

in thousands of Nigerian Naira	2017	2016
Admissible assets		
Cash and cash equivalents	3,400,291	3,015,331
Available for sale	659,678	187,926
Fair value through profit and loss	165,188	199,881
Held to maturity	160,600	142,336
Loan and receivables	40,256	32,703
Trade receivables	329,648	308,428
Reinsurance assets	2,500,761	1,716,444
Deferred acquisition cost	439,068	496,295
Staff debtors	6,510	7,673
Investments in associates	71,178	66,857
Investment properties	1,161,581	1,181,454
Propertty,plant and equipment	1,386,862	1,620,472
Statutory deposits	315,000	315,000
	10,636,621	9,290,800
Admissible liabilities		
Insurance liabilities	3,260,519	2,838,600
Borrowing	861,919	750,456
Bank overdraft	78,897	108,641
Trade payables	710,333	225,953
Other payables and accruals	180,132	121,918
Retirement benefit obligations	182,232	184,406
Current income tax payable	71,739	46,158
	5,345,771	4,276,132
Solvency margin	5,290,850	5,014,668
The higher of 15% of Net premium income and Shareholders funds	3,000,000	3,000,000
Solvency ratio (%)	1.76	1.67

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.

36 Risk management framework- Continued

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.

37 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 in 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 liabilities.

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

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

Key assumptions

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

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

Claims development table

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

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent 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.

37 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	-	117	-
2011	292,165	126,133	8,335	670	1,392	-	59	-	-
2012	209,066	153,520	1,135	28	1	166	-	-	-
2013	253,325	56,039	11,951	-	745	-	-	-	-
2014	448,185	151,855	90	1,208	-	-	-	-	-
2015	419,353	164,457	11,856	-	-	-	-	-	-
2016	339,042	119,370	-	-	-	-	-	-	-
2017	400,840	-	-	-	-	-	-	-	-
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	-	543	-	-
2012	34,801	71,849	3,309	1,185	92	31	-	-	-
2013	96,493	28,388	24,664	45	8,988	-	-	-	-
2014	269,309	209,095	5	28,604	-	-	-	-	-
2015	99,928	190,574	83,970	-	-	-	-	-	-
2016	139,327	202,455	-	-	-	-	-	-	-
2017	318,536	-	-	-	-	-	-	-	-

37 Insurance and financial risks - Continued

Insurance risk - continued

Claims Paid Triangulations as at 31 December 2017

in thousands of Nigerian Naira

General accident	1	2	3	4	5	6	7	8	9
Accident Year									
2007	78,870	51,047	21,990	5,149	1,109	382	1,342	-	-
2008	107,762	62,614	20,556	4,291	436	-	-	10	-
2009	71,177	74,274	42,344	2,061	2,567	197	899	-	-
2010	56,380	75,169	12,276	13,467	805	1,787	34	-	-
2011	64,532	83,603	16,555	687	3,155	257	824	-	-
2012	134,451	133,618	3,124	7,988	-	1,972	-	-	-
2013	62,941	23,864	19,583	-	1,522	-	-	-	-
2014	193,012	103,077	-	15,204	-	-	-	-	-
2015	96,443	208,591	15,673	-	-	-	-	-	-
2016	129,179	97,502	-	-	-	-	-	-	-
2017	73,628	-	-	-	-	-	-	-	-

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	-	72	-	-
2012	41,347	20,691	343	48	-	-	-	-	
2013	3,266	6,191	6,193	-	-	-	-	-	-
2014	14,750	19,161	-	401	-	-	-	-	-
2015	8,635	18,349	-	-	-	-	-	-	-
2016	14,981	-	-	-	-	-	-	-	-
2017	10,823	-	-	-	-	-	-	-	-

37 **Insurance and financial risks - Continued**

a **Insurance risk - continued**

Claims Paid Triangulations as at 31 December 2017

in thousands of Nigerian Naira

	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	-	3	-	-	-	-
2014	142,076	112,097	-	605	-	-	-	-	-
2015	44,911	37,147	31,554	-	-	-	-	-	-
2016	35,286	57,357	-	-	-	-	-	-	-
2017	36,911	-	-	-	-	-	-	-	-

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

	31 December 2017			31 December 2016		
	Gross liabilities	Reinsurance share of liabilities	Net liabilities	Gross liabilities	Reinsurance share of liabilities	Net liabilities
Accident	241,800	(150,145)	91,655	232,370	(102,341)	130,029
Engineering	59,802	(38,828)	20,974	33,682	(27,534)	6,148
Fire	279,791	(178,994)	100,797	287,022	(115,044)	171,978
Marine	122,717	(99,860)	22,857	83,250	(39,728)	43,522
Motor	190,098	-	190,098	137,289	-	137,289
Oil & Gas	387,429	(288,094)	99,335	298,640	-	298,640
	1,281,637	(755,921)	525,716	1,072,253	(284,647)	787,606

37 **Insurance and financial risks - Continued**

b **Financial risk - continued**

i **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 Directors and are subject to regular reviews. At each reporting date, management performs an assessment of credit worthiness 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 The 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 2017 and 2016 is the carrying amounts as presented in Notes 14,15, 16, 17,18, & 22

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.

37 **Insurance and financial risks - Continued**

Industry analysis

As at 31 December 2017

in thousands of Nigerian Naira	**Financial services**	**Government**	**Others**	**Other**
Loans and receivables	40,256	-	-	40,256
Other receivables	-	-	50,155	50,155
Statutory deposit	-	315,000	-	315,000
Held-to-maturity				
- Debt securities	20,418	140,182	-	160,600
	60,674	455,182	50,155	566,011
Reinsurance assets	2,500,761	-	-	2,500,761
Trade receivable	329,648	-	-	329,648
Cash and cash equivalents	3,400,291	-	-	3,400,291
	6,291,374	455,182	50,155	6,796,711
As at 31 December 2016				
Loans and receivables	32,703	-	-	32,703
Other receivables	-	-	39,006	39,006
Statutory deposit	-	315,000	-	315,000
Held-to-maturity				
- Debt securities	20,427	121,909	-	142,336
	53,130	436,909	39,006	529,045
Reinsurance assets	1,733,315	-	-	1,733,315
Trade receivables	308,428	-	-	308,428
Cash and cash equivalents	3,015,331	-	-	3,015,331
	5,110,204	436,909	39,006	5,586,119

37 **Insurance and financial risks - 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:

		Neither past-due not impaired			
As at 31 December 2017	**Investment grade**	**Non-investment grade satisfactory**	**Non-investment grade unsatisfactory**	**Past-due but not impaired**	
in thousands of Nigerian Naira					**Total**
Loans and receivables	40,256	-	-	-	40,256
Other receivables	-	50,155	-	-	50,155
Statutory deposit	315,000	-	-	-	315,000
Held-to-maturity					
- Debt securities	160,600	-	-	-	160,600
Reinsurance assets	-	-	-	2,500,761	2,500,761
Trade receivables	-	-	-	329,648	329,648
Cash and cash equivalents	3,400,291	-	-	-	3,400,291
	3,916,147	50,155	-	2,830,409	6,796,711

As at 31 December 2016					
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	-	-	-	1,733,315	1,733,315
Trade receivables	-	-	-	308,428	308,428
Cash and cash equivalents	3,015,331	-	-	-	3,015,331
	3,505,370	55,877	-	2,041,743	5,602,990

37 **Insurance and financial risks - 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 2017				
Reinsurance assets	-	-	2,500,761	2,500,761
Trade receivables	329,648		-	329,648
	329,648	-	2,500,761	2,830,409
At 31 December 2016				
Reinsurance assets	-	-	1,733,315	1,733,315
Trade receivables	308,428	-	308,428	
	308,428	-	1,733,315	2,041,743

Impaired Financial Assets
At 31 December 2017, there are no impaired reinsurance assets by nature of the business, which is expected to be netted 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.

ii 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 as well as specifying events that would trigger such plans.

37 **Insurance and financial risks - Continued**

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.

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2017 *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	40,256	40,256	-	-	-	-	40,256
Other receivables	50,155	50,155	-	-	-	-	50,155
Available-for-sale financial assets	659,678	659,678	-	-	-	-	659,678
Held-to-maturity	160,600	160,600	-	-	-	-	160,600
Reinsurance assets	2,500,761	2,500,761	-	-	-	-	2,500,761
Trade receivables	329,648	329,648	-	-	-	-	329,648
Cash and cash equivalents	3,400,291	3,400,291	-	-	-	-	3,400,291
Total financial assets	7,141,389	7,141,389	-	-	-	-	7,141,389
Financial liabilities							
Insurance contract liabilities	3,260,519	3,260,519	-	-	-	-	3,260,519
Borrowing	861,919	78,356	156,712	907,168	-	-	1,142,236
Trade payables	710,333	710,333	-	-	-	-	710,333
Bank overdraft	78,897	78,897	-	-	-	-	78,897
Other payables and accruals	180,132	180,132	-	-	-	-	180,132
Total financial liabilities	5,091,800	4,308,237	156,712	907,168	-	-	5,372,117
Total liquidity gap	2,049,589	2,833,152	(156,712)	(907,168)	-	-	1,769,272

37 **Insurance and financial risks - Continued**

Maturity analysis (contractual undiscounted cash flows basis)

As at 31 December 2016 *in thousands of Nigerian Naira*	**Carrying amount**	**Up to 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**No maturity date**	**Total**
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
Borrowing	750,456	53,198	106,395	638,371	-	-	797,964
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	3,348,310	106,395	638,371	-	-	4,093,076
Total liquidity gap	1,413,477	1,970,463	(106,395)	(538,529)	40,430	-	1,365,969

37 **Insurance and financial risks - Continued**

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

	31 December 2017			31 December 2016		
in thousands of Nigerian Naira	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	3,400,291	-	3,400,291	3,015,331	-	3,015,331
Investment securities		1,025,722	1,025,722	394,237	168,609	562,846
Trade receivables	329,648	-	329,648	308,428	-	308,428
Reinsurance assets	2,354,496	146,265	2,500,761	1,716,444	16,871	1,733,315
Deferred acquisition costs	439,068	-	439,068	496,295	-	496,295
Other receivables and prepayments	685,260	(635,105)	50,155	55,877	(16,871)	39,006
Investment in associate	-	71,178	71,178	-	66,857	66,857
Investment properties	-	1,161,581	1,161,581	-	1,181,454	1,181,454
Intangible assets	-	15,505	15,505	-	20,792	20,792
Property, plant and equipment	-	1,386,862	1,386,862	-	1,620,472	1,620,472
Deferred tax assets	-	121,904	121,904	-	151,764	151,764
Statutory deposit	-	315,000	315,000	-	315,000	315,000
Total assets	7,208,763	3,608,912	10,817,675	5,986,612	3,524,948	9,511,560
Liabilities						
Insurance contract liabilities	3,260,519	-	3,260,519	2,838,600	-	2,838,600
Borrowing	-	861,919	861,919	-	750,456	750,456
Bank overdrafts	78,897	-	78,897	108,641	-	108,641
Trade payables	710,333	-	710,333	225,953	-	225,953
Other payables and accruals	180,132	-	180,132	121,918	-	121,918
Current income tax payable	26,915	44,824	71,739	46,158	-	46,158
Retirement benefit obligation	-	182,232	182,232	184,406	-	184,406
Total liabilities	4,256,796	1,088,975	5,345,771	3,525,676	750,456	4,276,132

Market Risk

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

37 **Insurance and financial risks - Continued**

i **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 risk 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:

	2017	**2016**
	Cash & cash	**Cash & cash**
in thousands of Nigerian Naira	equivalents	equivalents
Dollars	1,492,007	426,493
Pounds	1,387	-
Euros	12,618	7,438

The Company limits its exposure to foreign exchange risk 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 equivalent.

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 method 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.

ii **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 sensitivities as well as fixed most of interest rate income.

iii **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

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.

37 **Insurance and financial risks - Continued**

iv 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 profit or loss) 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

in thousands of Nigerian Naira	Change in variable	31 December 2017	31 December 2017 Impact on equity	31 December 2016	31 December 2016 Impact on equity
Nigerian Stock Exchange	-5%	(8,259)	(5,782)	(9,994)	(6,996)
	5%	8,259	5,782	9,994	6,996
	-10%	(16,519)	(11,563)	(19,988)	(13,992)
	10%	16,519	11,563	19,988	13,992

Operational risks

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

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

in thousands of Nigerian Naira	31 December 2017 Gross liabilities	31 December 2017 Re-insurance share of liabilities	31 December 2017 Net liabilities	31 December 2016 Gross liabilities	31 December 2016 Re-insurance share of liabilities	31 December 2016 Net liabilities
General accidents	241,800	(150,145)	91,655	232,370	(102,341)	130,029
Engineering	59,802	(38,828)	20,974	33,682	(27,534)	6,148
Fire	279,791	(178,994)	100,797	287,022	(115,044)	171,978
Marine	122,717	(99,860)	22,857	83,250	(39,728)	43,522
Motor	190,098	-	190,098	137,289	-	137,289
Oil & Gas	387,429	(288,094)	99,335	298,640	-	298,640
	1,281,637	(755,921)	525,716	1,072,253	(284,647)	787,606

37 Insurance and financial risks - 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 2017			31 December 2016		
in thousands of Nigerian Naira	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on gross liabilities	Impact on net liabilities	Impact on profit profit before tax
Loss percentage	+5%	64,082	37,796	(26,286)	53,613	22,559	(31,054)
Loss percentage	-5%	(64,082)	(37,796)	26,286	(53,613)	(22,559)	31,054
Inflation rate	+1%	12,816	7,559	(5,257)	10,723	4,512	(6,211)
Inflation rate	-1%	(12,816)	(7,559)	5,257	(10,723)	(4,512)	6,211
Discount rate	+1%	12,816	7,559	(5,257)	10,723	4,512	(6,211)
Discount rate	-1%	(12,816)	(7,559)	5,257	(10,723)	(4,512)	6,211

38 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.

38 Contingencies and commitments

Capital commitments and operating leases

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

in thousands of Nigerian Naira	31 December 2017	31 December 2016
Within one year	23,577	10,240
After one year but not more than five years	32,113	
	55,690.00	10,240.00

39 Contravention of the NAICOM and other guidelines:

in thousands of Nigerian Naira	Number of infractions	Penalty
Nature of contravention		
Late submission of annual report NSE in 2017	1	10,200

40 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.

41 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	Policy holders Funds	Total
Insurance Contract liabilities	(3,260,519)	(3,260,519)	(3,260,519)
Deduct:			
Reinsurance assets	2,500,761	2,500,761	2,500,761
Net Insurance Fund	(759,758)	(759,758)	(759,758)
Represented by:			
Cash and cash equivalents:			
- Cash	3,400,291	3,400,291	3,400,291
Available-for-sale financial assets:			
Quoted equities	112,391	112,391	112,391
Treasury bills	477,080	477,080	477,080
Held-to-maturity			
Federal Government bonds	79,132	79,132	79,132
State Government bonds	61,050	61,050	61,050
Corporate bonds	20,418	20,418	20,418
Surplus	3,390,604	3,390,604	3,390,604

42 **Segment information**

For the year ended 31 December 2017 in thousands of Nigerian Naira	Motor	Fire and property	General accident	Marine and aviation	Oil and gas	Car and engineering	Total
Gross premium written	1,393,997	1,536,506	793,698	881,705	3,348,894	558,703	8,513,503
Changes in unexpired premium	(208,514)	(347,397)	(132,675)	(76,452)	660,603	(108,100)	(212,535)
Gross premium earned	1,185,483	1,189,109	661,023	805,253	4,009,497	450,603	8,300,968
Outward re-insurance premium	(31,097)	(540,044)	(258,580)	(475,579)	(2,584,322)	(265,040)	(4,154,661)
Changes in unexpired outward premium	(78,194)	166,972	173,042	(82,003)	(797,001)	323,399	(293,785)
Net premium earned	1,076,192	816,037	575,485	247,671	628,174	508,962	3,852,522
Commission received	370	59,872	51,658	27,471	142,576	19,640	301,587
Total underwriting income	1,076,562	875,909	627,143	275,142	770,750	528,602	4,154,109
Gross claims paid	534,608	644,407	206,324	126,429	436,952	42,041	1,990,761
Gross liabilities at 31 December 2017	190,098	279,791	241,800	122,717	387,429	59,802	1,281,637
	724,706	924,198	448,124	249,146	824,381	101,843	3,272,398
Gross liabilities at 1 January 2017	(137,289)	(287,023)	(232,370)	(83,250)	(298,640)	(33,681)	(1,072,253)
Gross claim incurred	587,417	637,175	215,754	165,896	525,741	68,162	2,200,145
Reinsurance recoveries	3,235	301,742	47,119	70,444	-	3,185	425,725
Due from re-insurers at 31 December 2017	-	178,994	150,145	99,860	288,094	38,828	755,921
	3,235	480,736	197,264	170,304	288,094	42,013	1,181,646
Due from re-insurers at 1 January 2017	-	(115,044)	(102,340)	(39,728)	-	(27,534)	(284,646)
Gross recoveries	3,235	365,692	94,924	130,576	288,094	14,479	897,000
Net benefits and claims	584,182	271,483	120,830	35,320	237,647	53,683	1,303,145
Net income	492,380	604,426	506,313	239,822	533,103	474,919	2,850,964
Underwriting expenses							
Amortised deferred acquisition costs	(140,568)	(261,948)	(154,433)	(180,087)	(380,953)	(87,752)	(1,205,741)
Other underwriting expenses	(90,119)	(79,514)	(70,098)	(52,588)	(81,969)	(60,625)	(434,912)
	(230,687)	(341,462)	(224,531)	(232,675)	(462,922)	(148,377)	(1,640,653)
Underwriting profit	261,693	262,964	281,782	7,147	70,180	326,542	1,210,311

42 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)
Total underwriting expenses	(347,018)	(296,098)	(244,576)	(167,018)	(28,044)	(96,203)	(1,178,955)
Underwriting profit	745,011	205,858	92,424	332,782	4,436	271,211	1,651,722

For the year ended in thousands of Nigerian Naira	2017	%	2016	%
Gross premium written	8,513,503		6,399,854	
Net claims expenses	(1,303,145)		(1,440,861)	
Premium ceded to reinsurance	(4,448,446)		(2,845,715)	
Other charges and expenses	(1,872,651)		(1,534,369)	
Fees and commission	301,587		354,125	
Investment income	326,676		281,288	
Value added	1,517,524		1,214,322	
Applied as follow:				
In payment to employees				
Employee benefits expense	870,763	57%	810,195	67%
In payment to Government				
As taxes	44,825	3%	42,400	3%
Retained in the business				
Depreciation	151,516	10%	114,596	9%
Amortization	17,287	1%	15,036	1%
Contingency reserve	255,405	17%	191,996	16%
Profit for the year	177,728	12%	40,099	3%
Value added	1,517,524	100	1,214,322	100

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

Statement Of Financial Position As at *in thousands of Nigerian Naira*	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Assets					
Cash and cash equivalents	3,400,291	3,015,331	2,582,695	2,236,083	1,932,889
Investment securities	1,025,722	562,846	929,904	866,956	1,011,267
Trade receivables	329,648	308,428	115,751	57,551	98,328
Reinsurance assets	2,500,761	1,733,315	1,822,099	2,011,841	2,652,287
Deferred acquisition costs	439,068	496,295	567,819	568,819	548,295
Other receivables and prepayments	50,155	39,006	430,493	158,711	184,957
Investment in associate	71,178	66,857	58,104	49,202	50,255
Investment properties	1,161,581	1,181,454	1,358,256	1,339,084	1,222,024
Intangible assets	15,505	20,792	29,424	25,775	6,201
Property, plant and equipment	1,386,862	1,620,472	842,381	783,098	548,586
Deferred tax assets	121,904	151,764	212,945	80,725	79,207
Statutory deposit	315,000	315,000	315,000	315,000	315,000
Total assets	10,817,675	9,511,560	9,264,871	8,492,845	8,649,296
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	3,260,519	2,838,600	3,046,784	3,073,723	3,472,833
Borrowing	861,919	750,456	531,976	806,590	1,066,897
Bank overdrafts	78,897	108,641	-	-	-
Trade payables	710,333	225,953	313,403	140,147	177,238
Other payables and accruals	180,132	121,918	119,916	37,905	79,657
Current income tax payable	71,739	46,158	17,108	32,936	32,732
Retirement benefit obligation	182,232	184,406	210,488	240,689	336,442
Deposit for shares	-	-	-	410,284	-
Total liabilities	5,345,771	4,276,132	4,239,675	4,742,274	5,165,799
Equity					
Issued and paid- up share capital	4,170,412	4,170,412	4,170,412	3,435,879	3,435,879
Share premium	116,843	116,843	116,843	116,843	116,843
Contingency reserve	2,332,596	2,077,191	1,885,195	1,671,227	1,452,632
Revaluation reserve	225,103	175,288	-	-	-
Available-for-sale reserve	4,949	(3,984)	1,171	13,416	27,018
Accumulated losses	(1,377,999)	(1,300,322)	(1,148,425)	(1,486,794)	(1,548,875)
Total equity	5,471,904	5,235,428	5,025,196	3,750,571	3,483,497
Total liabilities and equity	10,817,675	9,511,560	9,264,871	8,492,845	8,649,296
Statement Of Profit Or Loss					
Gross premium written	8,513,503	6,399,854	7,132,224	7,286,511	8,673,676
Premium earned	8,300,968	6,763,129	3,934,235	4,606,041	4,309,149
Profit before income tax	202,694	44,975	430,486	326,021	274,859
Profit after income tax	157,869	23,592	557,849	294,943	346,930
Per 50k share data (kobo)					
Earnings per share- Basic & diluted	1.89	0.28	7.11	4.29	5.05

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	-
2017	0	10,500,000,000	0	4,170,411,648	-

Unissued Shares of STI

Authorised Shares - 10,500,000,000
Issued Shares - 8,292,103,394
Balance Unissued - 2,207,896,606

Processes

Get the cover you can count on
With
STI Burglary Insurance
This Policy covers:
Home/Office Accessories
Tools/Equipment of work.
Stock in trade
Personal Effects
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Never let the uncertainties of life take you and your family members unaware. Walk in today to any of our offices nationwide and get the SWIS-F policy designed to keep you above life's uncertainties. For just N1,500 premium per annum, the Sovereign Wellbeing Insurance Scheme for the Family, SWIS-F is a family companion you shouldn't do without.
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08178884752, 08188884752.
SOVEREIGN TRUST INSURANCE PLC
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Branches Nationwide

TEAR OFF

Affix Current Passport

(To be stamped by Bankers)

Write your name at the back of your passport photograph

MERISTEM REGISTRARS LIMITED

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

TEAR OFF

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

THE REGISTRAR

MERISTEM REGISTRARS LIMITED

RC No489092

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

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

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 27th day of September 2018 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, 2017, and the Reports of the Directors, the Auditors and the Audit Committee thereon.		
2. To re-elect Directors.		
3. To appoint Directors.		
4. To authorise the Directors to fix the remuneration of the Auditors.		
5. To elect the Shareholders' representatives on the Audit Committee.		
6. To consider and if deemed fit to pass the following resolution as an ordinary resolution: That the Directors' fees for the year ending December 31, 2018 be and is hereby fixed at ₦3,800,000.00		

SPECIAL BUSINESS

7.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 ₦7,500,000,000.00 (Seven Billion Five Hundred Million Naira) to ₦10,000,000,000.00 (Ten Billion Naira) by the creation of 5,000,000,000 (Five Billion) ordinary shares of 50 kobo each ranking paripassu 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 oversubscription 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_________2018

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 No489092

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

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RC 31962
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(23RD 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 ----------- day of ---------------------- 2018 , 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

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