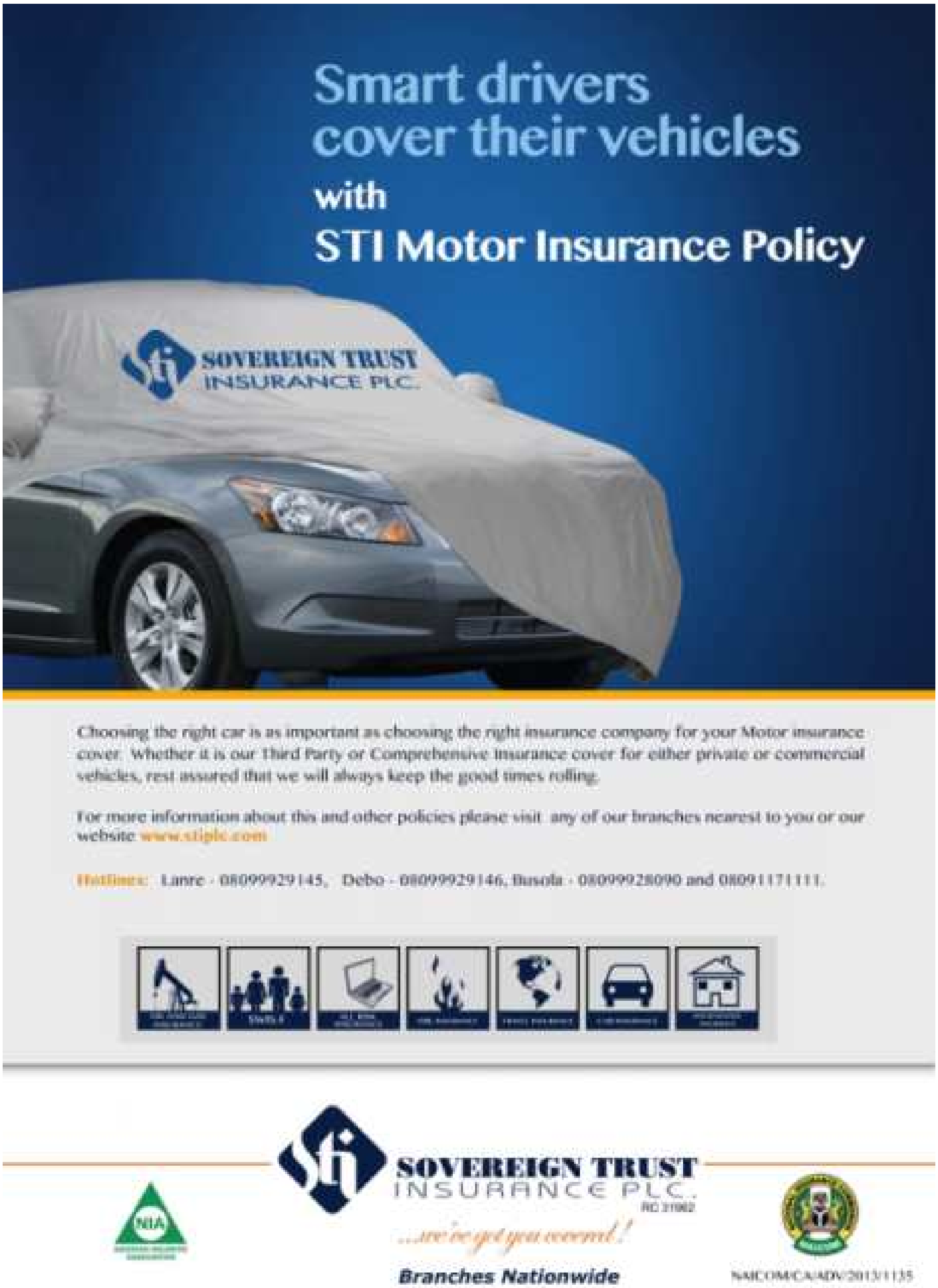
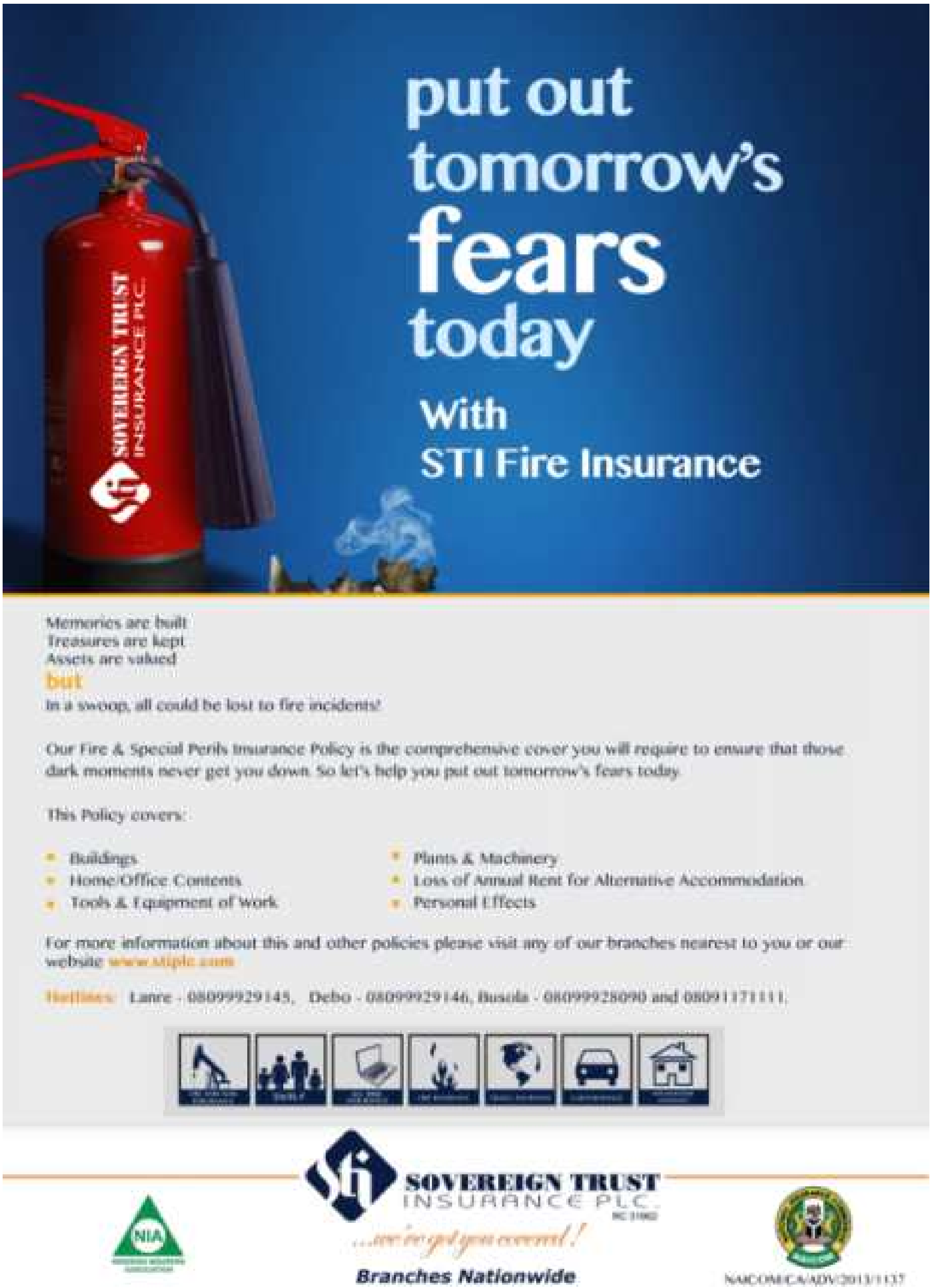
SOVEREIGN TRUST
INSURANCE PLC.
RC 31962
...We've got you covered!

Annual REPORT & Accounts 2012



Smart drivers
cover their vehicles
with
STI Motor Insurance Policy
SOVEREIGN TRUST
INSURANCE PLC
Choosing the right car is as important as choosing the right insurance company for your Motor insurance cover. Whether it is our Third Party or Comprehensive Insurance cover for either private or commercial vehicles, rest assured that we will always keep the good times rolling.
For more information about this and other policies please visit any of our branches nearest to you or our website www.stiplc.com
Hotlines: Lanre - 08099929145, Debo - 08099929146, Busola - 08099928090 and 08091171111.
SOVEREIGN TRUST
INSURANCE PLC.
RC 31962
...we've got you covered!
Branches Nationwide
NAICOM/CA/ADV/2013/1135


put out
tomorrow's
fears
today
With
STI Fire Insurance
SOVEREIGN TRUST
INSURANCE PLC
Memories are built
Treasures are kept
Assets are valued
but
In a swoop, all could be lost to fire incidents!
Our Fire & Special Perils Insurance Policy is the comprehensive cover you will require to ensure that those dark moments never get you down. So let's help you put out tomorrow's fears today.
This Policy covers:
Buildings
Home/Office Contents
Tools & Equipment of Work
Plants & Machinery
Loss of Annual Rent for Alternative Accommodation
Personal Effects
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SOVEREIGN TRUST
INSURANCE PLC
...we've got you covered!
Branches Nationwide
NIA
NAICOM/CA/ADV/2013/1137

Vision

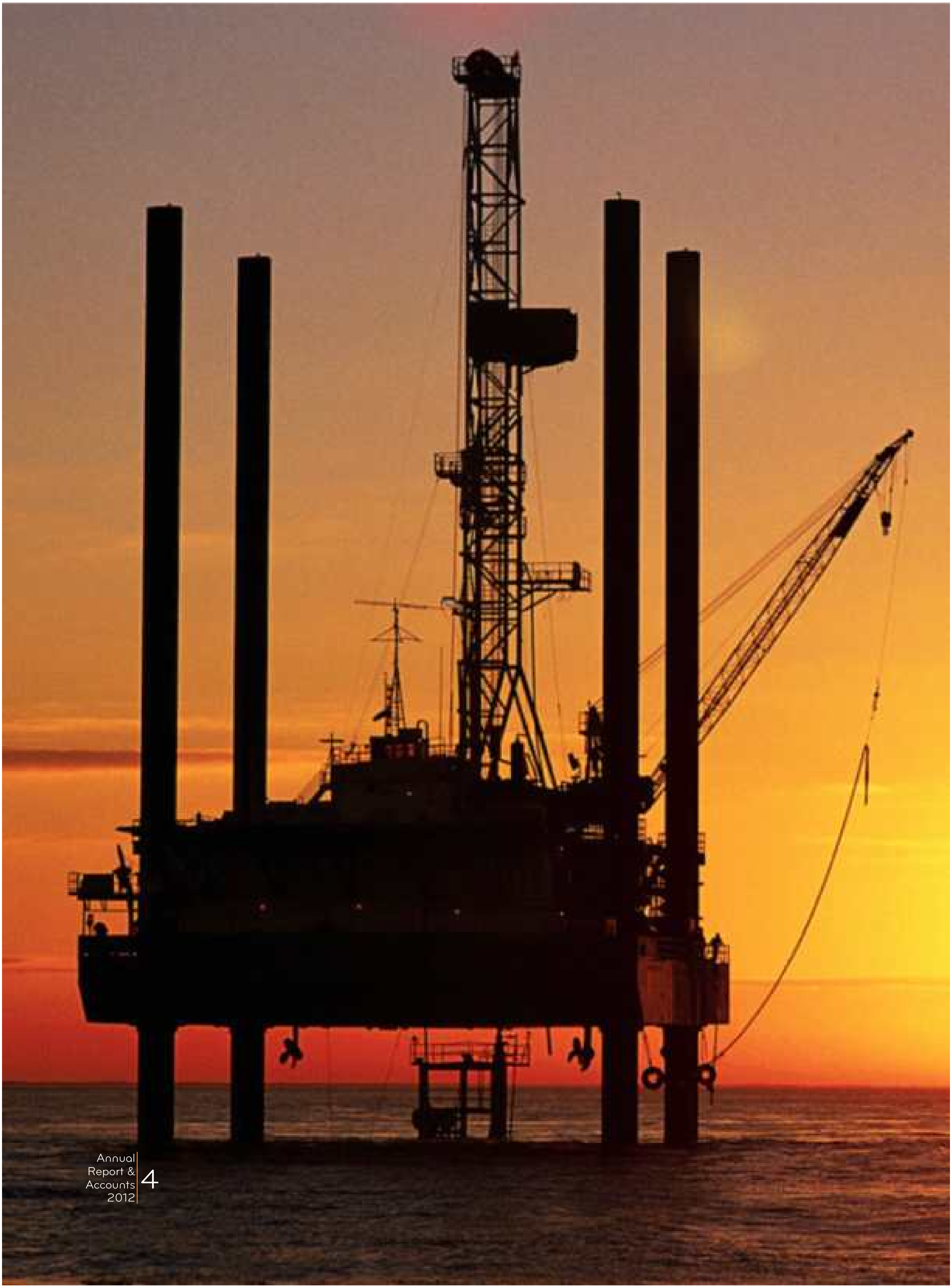
To be a leading brand
providing insurance
and financial services
of global standards.

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

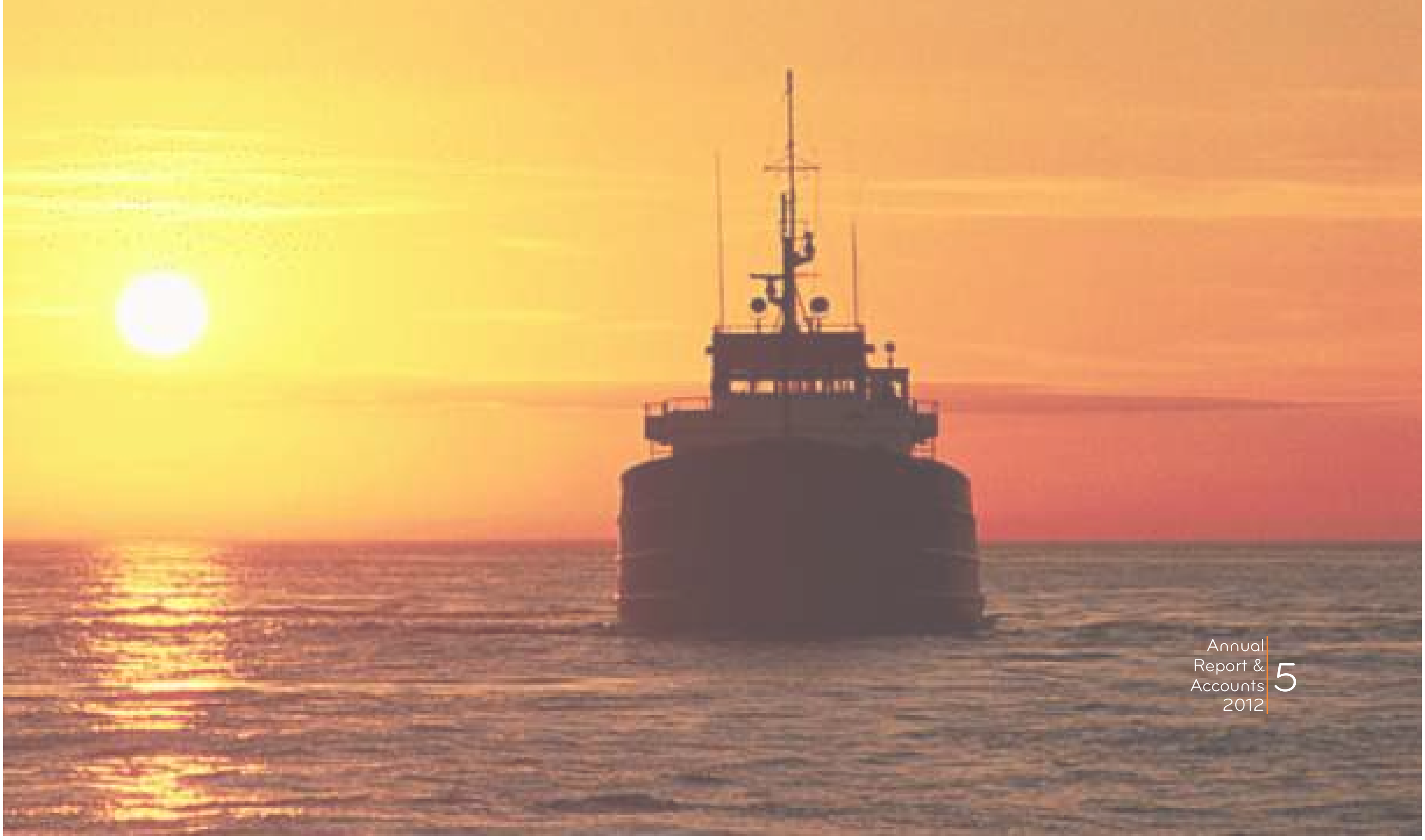


About STI PLC.

Sovereign Trust Insurance Plc commenced business in January 1995 with an authorized share capital of N30 million and a fully paid-up capital of N20 million following the acquisition and recapitalization of the then Grand Union Assurances Limited.

We operate currently through a network of branches Nationwide with our Head Office on Victoria Island, Lagos. The company is licensed as an insurer by the Federal Government with authority to underwrite all classes of Non-Life business.

Currently our authorized share capital is N3.5Billion divided into 7 billion units of 50 kobo per share. We have a fully paid-up capital of over N2.5 Billion and Shareholders' funds of over N4 Billion. The ownership of the company is made up of diverse shareholders from different walks of life out of which a Board of 10 directors was constituted.



Contents

18th AGM Notice

TO ALL THE SHAREHOLDERS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **18th Annual General Meeting of Sovereign Trust Insurance PLC** will take place at **The Grand Banquet Hall, The Civic Centre, Ozumba Mbadiwe Road, Victoria Island, Lagos** on Friday **the 15th day of November 2013 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, 2012, and the Reports of the Directors, the Auditors and the Audit Committee thereon.
2. To re-elect Directors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To elect the Shareholders' representatives on the Audit Committee.
5. To consider and if deemed fit to pass the following resolution as an ordinary resolution:
   That the Directors' fees for the year ending December 31, 2012 be and is hereby fixed at ₦6,250,000.00.

SPECIAL BUSINESS

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

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

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

(c) "That in the event of 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."

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

DATED THIS 18TH DAY OF OCTOBER 2013
BY ORDER OF THE BOARD

EQUITY UNION LIMITED

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, 305 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 31st October 2013 to 5th November 2013 (both days inclusive) to enable the Registrars to make necessary preparations for the Annual General Meeting.

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

Directors
H.H. (Dr.) Ephraim F. Faloughi, OON (Chairman)
Mr. Oluseun O. Ajayi (Vice Chairman)
Mr. Bolaji Agbabiaka
Mr. Kolapo Lawson
Mrs. Adefemi Abeke Taire OFR
Sir (Dr.) Ogala Osoka MFR
Prof. Steve Azaiki, OON
Colonel Musa Shehu (Rtd) OFR – Ind. Director
Mr. Olawale Onaolapo (Managing Director/CEO)

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

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

Company's Registration Number
RC 31962

Corporate Head Office
17, Adetokunbo Ademola Street
Victoria Island
Lagos
+234 1 461 5006 - 9
Website: www.stiplc.com
E-mail: enquiries@stiplc.com

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

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

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

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

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

Bankers
Access Bank Plc.
Ecobank Plc.
FCMB Plc.
First Bank Plc.
GTBank Plc.
Skye Bank Plc.
Stanbic IBTC Plc.
Zenith Bank Plc.

BUSINESS INFORMATION

Retail & Business Development
Contact: Ugochi Odemelam
08099929134

Operations
Contact: Olaotan Soyinka
08099928042

Direct Marketing
Contact: Lanre Ojuola
08099929145

OUR BRANCH NETWORK

LAGOS CENTRAL AREA OFFICE
9/11, Macarthy Street
Onikan, Lagos State
Contact: Segun Adeyemo
08099929124

SURULERE AREA OFFICE
13, Razak Balogun Street
Surulere, Lagos State
Contact: Adu Makinde
08187300570

IKEJA AREA OFFICE
11, IPM Avenue
Off Obafemi Awolowo Way
Ikeja, Lagos State
Contact: David Izegaegbe
08099929161

APAPA AREA OFFICE
20, Commercial Road
Apapa, Lagos State
Contact: Kola Azeez
08099929181

PORT HARCOURT AREA OFFICE
47, Trans-Amadi Industrial Lay-Out
Port-Harcourt, Rivers State
Contact: Angela Onochie
08186690234

ABUJA AREA OFFICE
40, Agadez Crescent
Off Aminu Kano Street
Wuse 2, Abuja
Contact: Suleiman Bazza
08099928125

IBADAN AREA OFFICE
87, Obafemi Awolowo Road
Oke-Ado, Ibadan, Oyo State
Contact: Muyiwa Awodire
08184785793

OTHER BRANCH OFFICES NATIONWIDE

ABA BRANCH OFFICE
97, Azikwe Road
Aba, Abia State
08035084848, 08182980620

ABEOKUTA AGENCY OFFICE
Laderin House
23, Quarry Road
Abeokuta, Ogun State
08187766877

ADO-EKITI BRANCH OFFICE
16, Ajilosun Street
Ado-Ekiti, Ekiti State
08037205798, 08188142391

AKURE BRANCH OFFICE
3, Alagbaka Junction
Akure, Ondo State
08099928084

ASABA AGENCY OFFICE
5, Ilah/Gov. House Road
Asaba, Delta State
08136765405

BENIN AGENCY OFFICE
37, Forestry Road
Benin-City, Edo State
08182397174

CALABAR AGENCY OFFICE
45, Murtala Highway
Calabar, Cross-River State
08037048442

ENUGU BRANCH OFFICE
172, Ogui Road
Enugu State
08035444837

ILORIN BRANCH OFFICE
Starcomms Building
232, Ibrahim Taiwo Road
Ilorin, Kwara State
08099929137

JOS AGENCY OFFICE
20, Ahmadu Bello Way
Jos, Plateau State
08095170622

KADUNA BRANCH OFFICE
CB Finance House
16E, Ahmadu Bello Way
Kaduna, Kaduna State
08099925307, 08023433812

KANO BRANCH OFFICE
4C, Murtala Mohammed Way
Kano, Kano State
08033175276

LAGOS AGENCY OFFICE
Elephant House, 239/241
Ikorodu Road, Anthony
Lagos State
08099929146

OSOGBO AGENCY OFFICE
3rd Floor, Trinity House
Gbongan-Ibadan Road
Osogbo, Osun State
08186840645

SOKOTO BRANCH OFFICE
95, Maiduguri Road
Sokoto, Sokoto State
08036985099, 08081203250

UMUAHIA AGENCY OFFICE
3, Okpara Square
Umuahia, Abia State
08037740835

WARRI BRANCH OFFICE
Suite, 13/14, Nosky Plaza
Opp. Shell Contractors' Gate
Ogunu, Warri
Delta State
07028180879

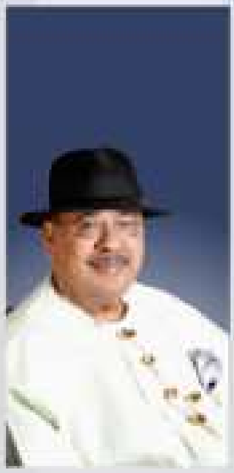
YENAGOA BRANCH OFFICE
53, Mbiama-Yenagoa Road
Bond Bank Building
Yenagoa, Bayelsa State
08033821451

CORPORATE INFORMATION
Contact: Segun Bankole
Corporate Communications & Brand Management
01-4611237, 08099929157

Management Team

Olawale Onaolapo	Managing Director/CEO
Samuel Ogbodu	Executive Director/COO
Olaotan Soyinka	GM/Divisional Head, Operations
Ugochi Odemelam	GM/Divisional Head, Retail & Business Development
Kayode Adigun	GM/Divisional Head, Finance & Administration
Tolu Fasoranti	DGM/ Head, Brokers' Department
Sanni Oladimeji	AGM/Head, Risk Management & Control
Segun Bankole	AGM/Head, Corporate Communications & Brand Management
Olalekan Oguntunde	AGM/Head, IT & Strategy
Tajudeen Rufai	AGM/ Head, Branch Operations
Emmanuel Anikibe	AGM/ Head, IT, Telecoms & Other Corporates
Lanre Ojuola	AGM/ Head, Direct Marketing
Chris Agbara	AGM/Head, Technical

Financial Positions	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	Change ₦'000	%
Cash and cash equivalents	1,166,795	1,431,579	(264,785)	(18)
Trade Receivables	1,149,175	561,045	588,130	105
Financial Assets	917,287	1,151,291	(234,004)	(20)
Property and Equipment	552,747	583,310	(30,563)	(5)
Other Receivables and Prepayments	95,421	84,677	10,744	13
Deferred Acquisition Cost	541,467	266,962	274,505	103
Statutory Deposit	315,000	315,000	-	-
Total Assets	**7,113,234**	**6,105,508**	**1,007,726**	**17**
Trade Payables	250,559	171,892	78,667	46
Insurance Contract Liabilities	2,239,625	1,970,949	268,676	14
Debt Securities in Issue	1,007,775	1,523,877	(516,102)	(34)
Current Tax Payable	162,685	141,410	21,275	15
Total Liabilities	**3,974,430**	**4,126,833**	**(152,403)**	**(4)**
Issued Share Capital	3,435,879	3,435,879	-	-
Share Premium	116,843	145,763	(28,920)	(20)
Fair value Reserves	(460)	2,898	(3,358)	(116)
Contingency Reserves	1,192,422	960,138	232,284	24
Retained Earnings	(1,605,880)	(2,566,003)	960,123	(37)
Total Equity	**3,138,804**	**1,978,675**	**1,160,129**	**59**
Comprehensive Income				
Gross Premiums	7,742,785	6,407,713	1,335,072	21
Net Premiums Underwriting Income	4,620,455	4,225,753	394,702	9
Other Income	1,222,331	752,555	469,777	62
Total Revenue	**5,842,786**	**4,978,308**	**864,479**	**17**
Claims paid	(920,434)	(1,553,950)	633,516	(41)
Impairment for Trade Receivable	(84,266)	(1,113,295)	1,029,029	(92)
Other Expenses	(3,252,973)	(2,824,909)	(428,064)	15
Total Benefits, Claims and Other Expenses	(4,257,673)	(5,492,154)	1,234,481	(22)
Profit /(Loss) Before Tax	**1,585,113**	**(513,847)**	**2,098,960**	**(408)**
Income tax expense	(108,759)	(25,097)	(83,662)	333
Profit For the Year	**1,476,355**	**(538,943)**	**2,015,298**	
Other Comprehensive Income for the year, net of tax	(12,435)	(13,887)	1,452	(10)
Total Comprehensive Income for the year, net of tax	1,463,920	(552,830)	2,016,750	(365)
Basic Earnings Per Share	**23**	**(9)**	**32**	**(371)**



"With the unprecedented dynamism of the business world, we would continue to craft our business strategies in a proactive manner to take advantage of the opportunities that could be presented in a growing economy like ours."

Highly esteemed shareholders, representatives of the various regulatory authorities here present, invited Guests, Gentlemen of the Press, Ladies and Gentlemen. It gives me great pleasure to welcome you to the 18th Annual General Meeting of our dear company, Sovereign Trust Insurance Plc.

The year 2012 was no doubt a remarkable one in the life of our dear Company as it marked the very first year during which we adopted the new reporting format as directed by the Financial Reporting Council (FRC). The accounts of the Company which was prepared using the International Financial Reporting Standards (IFRS) has been reviewed and approved by the relevant regulatory authorities.
In line with our tradition of transparency and informative reporting, I would like to bring to your notice the prevailing circumstances that permeated our environment during the year under review and thereafter, present our operational performance for the year ended 31st December, 2012.

Operating Environment

The global economy is yet to shake off the fallout of the crisis of 2008-2009 even as global growth dropped to almost 3 percent in 2012. Matured economies are still nursing the scars of the previous years' crisis and unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012. Uncertainty across the regions, ranging from the post-election 'fiscal debate' question in the U.S. to the Chinese leadership transition and reforms in the Euro Area, had global impact in sluggish trade and tepid foreign direct investment.

Policy actions have lowered acute crisis risks in the Euro Area and the United States, but in the Euro Area, the return to recovery after a protracted contraction is still delayed.

At the same time, policies have supported a modest growth pickup in some emerging market economies, although, others continue to struggle with weak external demand and domestic bottlenecks.

However, downside risks remain significant, including renewed setbacks in the Euro Area and risks of excessive near-term fiscal consolidation in the United States. It is expected that policy actions will urgently address these risks.

In the Domestic economy, the Nigerian economy grew by 6.99% as at the end of the year 2012 as against 7.76% recorded in the same period of 2011.

The Central Bank of Nigeria kept the Monetary Policy rate at 12% all through the year as a sign of comfort with the inflation trend. Inflation has been within the acceptable limits of 9 to 14% in the year, defeating expectation of increment that could be fueled by partial removal of fuel subsidy in January 2012. Inflation rate dropped to 12% in December, 2012, while unemployment rate still stood at 23.9%, although the external reserves which have been growing since August later dropped by $80 million to close the year at $44.26 billion.

The Naira showed a high level of stability in the year, firming up against the Dollar and other international currencies. The upper trading point was maintained within the N160/US$1 limit all through the year and there has been an increased convergence between the official and parallel market.

All the above statistics placed Nigeria amongst the fastest growing economies in the world, with growth concentrated in the areas of small scale agriculture and trades, more direct indicators of social welfare appear to be telling a different story. More Nigerians are falling into the bracket of those living below the poverty line even as the country was ranked 153 out of 186 countries in the United Nations Human Development Index. Given the seemingly inconsistency, the imperative of readjusting policy measures with a view to ensuring that jobs are created, has been adjudged by experts as the true key to growth in Nigeria and the Federal Government is aggressively pursuing this goal in its transformation agenda.

The Insurance Industry

Year 2012 came with high hopes for Nigeria's insurance industry. First, 2012 was the year the Market Development and Restructuring Initiative (MDRI), was expected to hit the N1 Trillion mark after its initial introduction in 2008 by the National Insurance Commission, NAICOM. Through the MDRI, NAICOM had hoped to enforce the five major compulsory insurance policies in the country, namely, ThirdParty Motor Insurance, Builder's Liability Insurance, Statutory Group Life Insurance, Occupiers Liability Insurance and the Health Care Professional Indemnity Insurance.

The enforcement was supposed to achieve at least N1.2 trillion premium income by 2012 from the N200 billion-position at the time it was launched. Although the target of N1.2 trillion was not met in 2012, the groundwork that has gone into the MDRI program is positively rubbing off on the income of Practitioners as the total premium income for the industry is estimated to be slightly above N300 billion.

In the course of the year, practitioners were also subjected to series of reforms both from the financial regulators and NAICOM. Insurers and reinsurers were mandated to transit to the International Financial Reporting Standard, IFRS; establish Risk Management desk and also latch onto the Federal Road Safety Corps database scheme by aligning their own database with that of the FRSC as well as instituting Anti-Money Laundering processes in their systems.

The greatest point scored by the Regulator was the big blow thrown at the perennial outstanding Premium challenge through NAICOM circular that prescribes a regime of "No Premium No Cover" for Insurance companies commencing from 1st January, 2013. The initiative is commendable considering the fact that the outstanding premium challenge has been a major bane of growth to the Industry. We expect this move to speak well for the Insurance Industry in the near future.

Operating Result

At the back of the several strategic measures adopted by the Company to withstand the challenges and realities of the operating environment, I am glad to report that your company continued on its profitability trend as shown in our result for the year ended.
Gross Premium Written for the year ended 31stDecember, 2012 stood at N7.74 billion, a performance that represents 20% increase over a sum of N6.41 billion recorded in the previous year.

Flowing from the above revenue, Profit before tax for the year stood at N1.58 billion as against N513.84 million loss recorded in 2011 as a result of several adjustments occasioned by the conversion to IFRS. Consequent upon this performance, total equity stood at N3.13 billion for the year ended 31stDecember,2012.

With this result, the resilience of our brand has once again been brought to the fore; we are glad that the company is continually maintaining its profitability profile despite several adjustments that was passed on the accounts.

Board Changes

I am happy to announce the appointment of Mr. Samuel Ogbodu, our erstwhile General

Manager in charge of operations to the position of Executive Director/Chief Operating Officer in the course of the year 2012. I solicit your ratification of his appointment and hope that he will bring his wealth of experience to bear in propelling our brand to greater heights.

Dividend

Distinguished Shareholders, the challenges of the operating terrain has necessitated continuous investment of resources towards positioning the company for the burgeoning competition in the Industry. Accordingly, in the spirit of driving aggressive growth in the coming years to attain our strategic goals, the Board of Directors have decided to retain its earnings for the year and plough back same into the company. We believe that this decision will adequately position us to take advantage of opportunities as they arise in the market.

Staff

Our brand has over the years become the hub to develop and retain best industry talents. Our pride is rooted in the quality of people that permeates our workforce. Our philosophy which was geared towards entrenching professionalism as the hallmark of our service provision has begun to yield the necessary dividends. We understand that our people are our greatest asset and would therefore continue to equip and develop them as individuals and collectively as a company.

Future Outlook

With the unprecedented dynamism of the business world, we would continue to craft our business strategies in a proactive manner to take advantage of the opportunities that could be presented in a growing economy like ours.

Accordingly, we have charted a new course for the Company and this was comprehensively articulated in our newly developed five year strategic blueprint which is aimed at positioning us as one of the pacesetting brands in the Insurance Industry within the next five years and beyond. May I use this opportunity to solicit your unwavering support for the Board of Directors and the Management Team as they embark on the implementation of the blueprint.

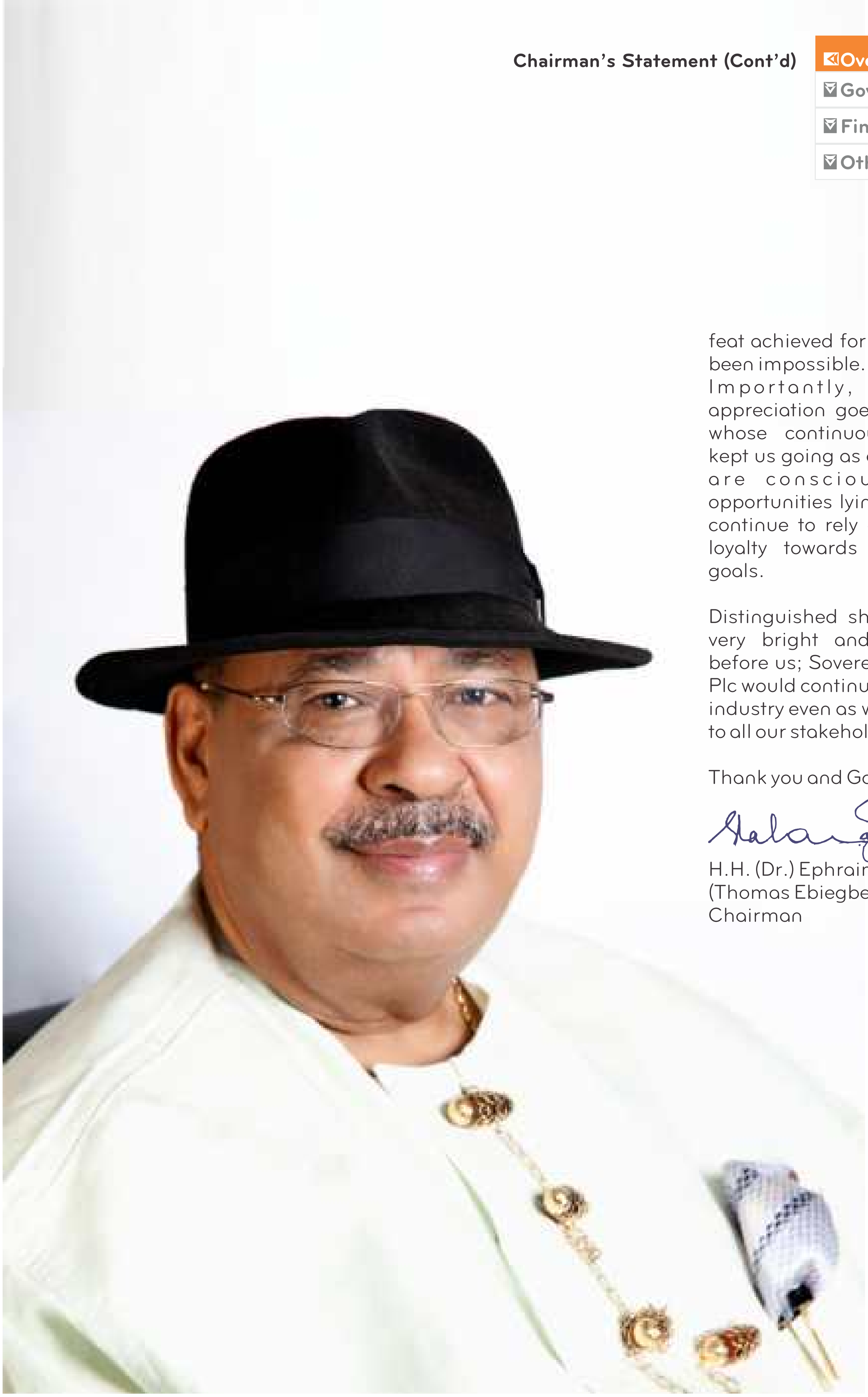
Similarly, adequate capitalization of our business has been identified as a key competitive factor for the coming years. In the light of the likely keen competition that would arise as a result of entrance of foreign insurance brands into the country, the imperative of attracting further Capital to boost our competitive position cannot be undermined. We would therefore continue to explore several capital raising initiatives domestically and across the shores of the nation so as to attract adequate capital for our business.

We also recognize the rapid changing nature of our customers' expectation. We are aware of the imperative of embracing innovation and sound initiatives toward meeting our customers' needs and creating bespoke services. This is a precondition to the attainment of our desired leadership of the Insurance Industry. In this light, we will continue to assess our service platform to ensure that they conform to the best in global standards and are flexible enough to meet our customers' expectations.

Conclusion

We believe that the changes in our business environment present uncommon opportunities for operators. There is no illusion as to the rapid changes that demand consistent strategic response from our management. In view of this, we shall continue to deploy several initiatives and strategies to combat any industry threats while harnessing the inherent opportunities.

It is important to acknowledge the unrelenting effort and courage of our team amidst the various challenges posed by the Nigerian economy in the course of the financial year ended. Without this uncommon courage, the



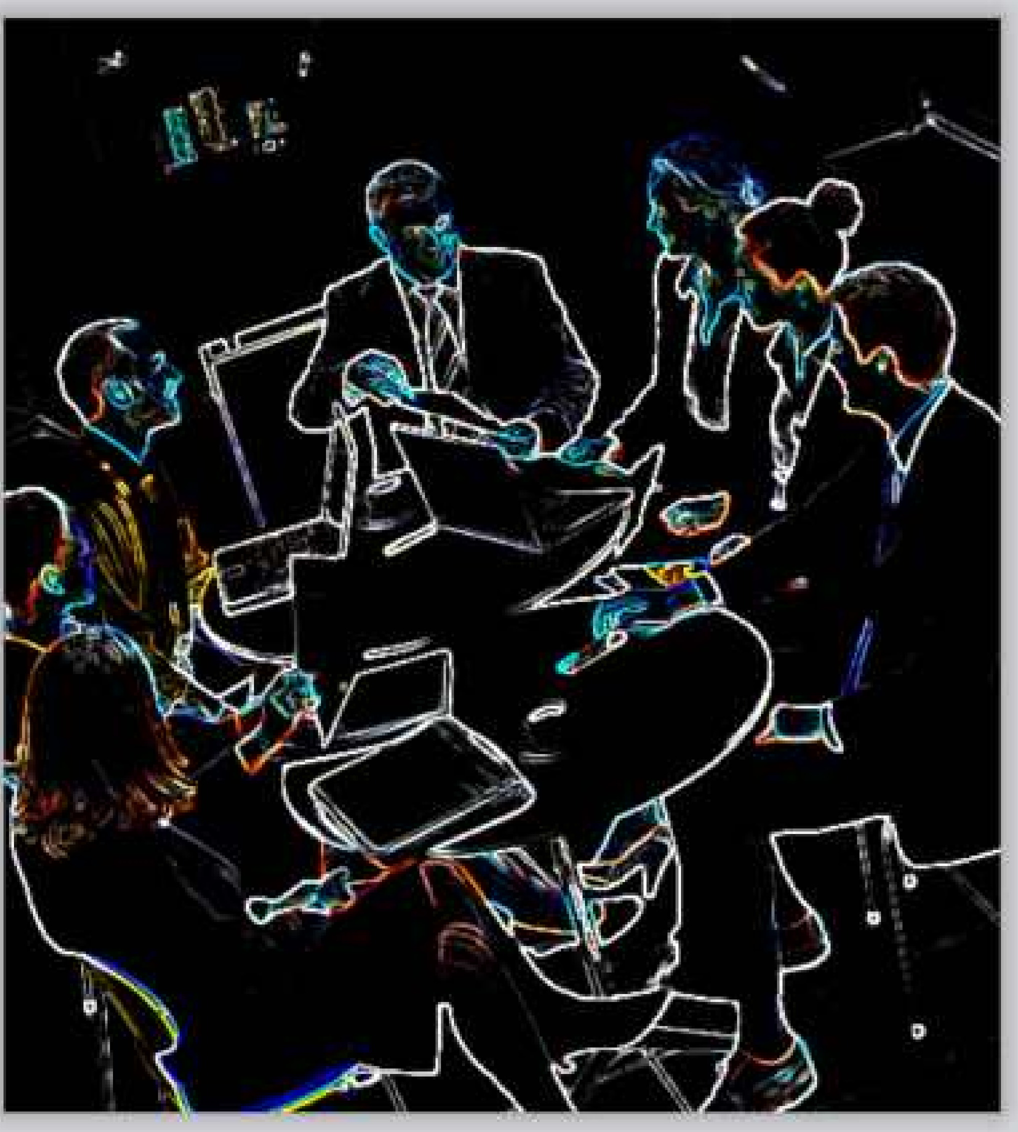
feat achieved for the year could have been impossible.

Importantly, my unreserved appreciation goes to our customers whose continuous patronage has kept us going as a leading brand. We are conscious of the vast opportunities lying ahead and would continue to rely on their undoubted loyalty towards realization of our goals.

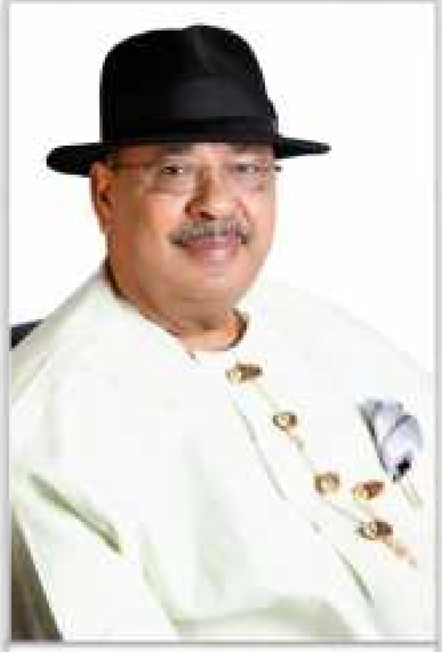
Distinguished shareholders, I see a very bright and promising future before us; Sovereign Trust Insurance Plc would continue to be a pride of the industry even as we create more value to all our stakeholders.

Thank you and God bless!

H.H. (Dr.) Ephraim F. Faloughi, OON
(Thomas Ebiegberi Spiff II)
Chairman

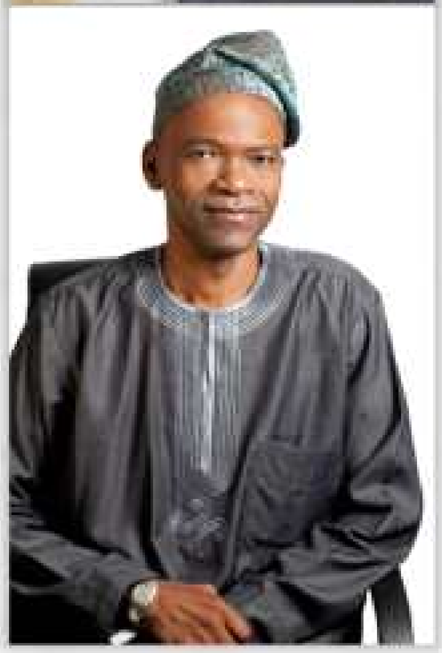


The Board



H.H. (Dr.) Ephraim F. Faloughi, OON
Chairman

Mr. Oluseun O. Ajayi
Vice Chairman

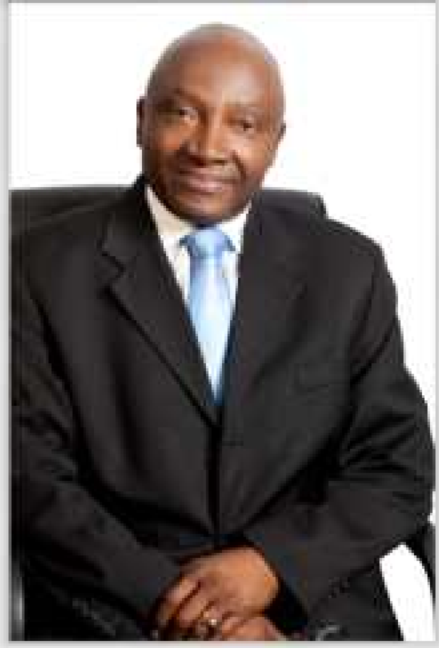


Mr. Bolaji Agbabiaka
Director

Board of Directors (Cont'd)

Mrs. Adefemi Abeke Taire, OFR
Director

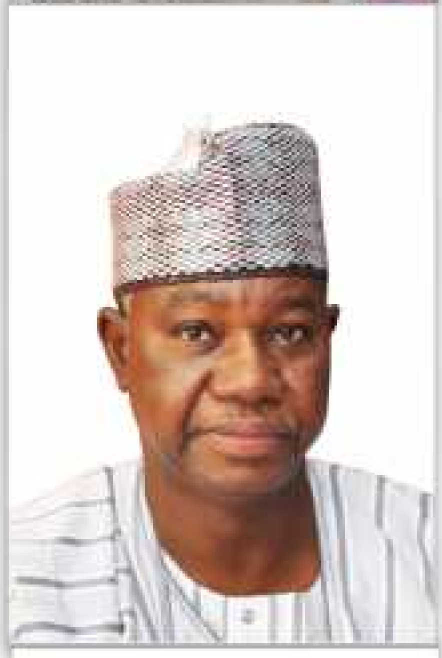
Mr. Kolapo Lawson
Director



Sir (Dr.) Ogala Osoka, MFR
Director

Board of Directors (Cont'd)

Prof. Steve Azaiki, OON
Director



Colonel Musa Shehu (Rtd), OFR
Director

Mr. Wale Onaolapo
Managing Director/CEO

Samuel Ogbodu
Executive Director/COO

The Management

Wale Onaolapo

Managing Director/CEO

Samuel Ogbodu

Executive Director/COO

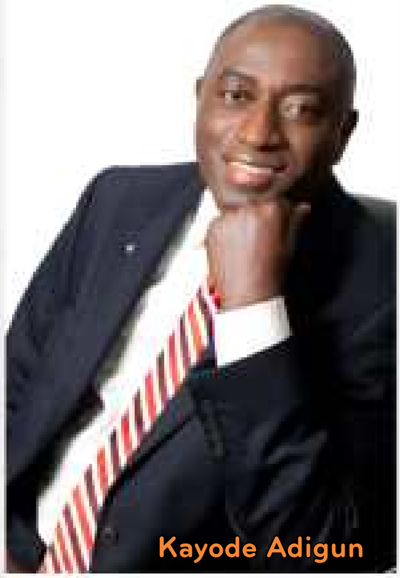
Olaotan Soyinka

GM/Divisional Head, Operations

Ugochi Odemelam

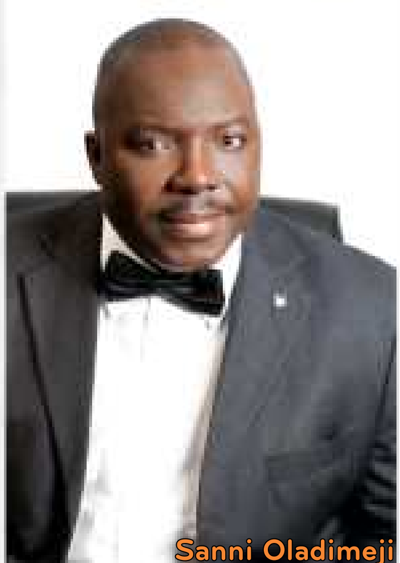
GM/Divisional Head, Retail & Business Development

Management Team (Cont'd)



Kayode Adigun
GM/Divisional Head, Finance & Administration

Tolu Fasoranti
DGM/ Head, Brokers' Department



Sanni Oladimeji
AGM/Head, Risk Management & Control

Segun Bankole
AGM/Head, Corporate Communications & Brand Management

Management Team (Cont'd)

AGM/Head, IT & Strategy

AGM/ Head, Branch Operations

AGM/Head, IT, Telecoms & Other Corporates

AGM/ Head, Direct Marketing

AGM/Head, Technical

The Directors present their annual report on the affairs of SOVEREIGN TRUST INSURANCE PLC together with the financial statements and auditors' report for the year ended December 31, 2012.

Legal Form and Principal Activity

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

The Company which was licensed by the Federal Government of Nigeria to carry out business in all classes of Non-Life insurance and as special risk insurers currently has authorized share capital of N3.5 billion divided into 7 billion units of 50k per share with a fully paid up capital of over N3.4 billion and shareholders fund of over N5 billion.

The Company, currently having its corporate head office at Victoria Island, Lagos with 21 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (PLC) on the 7th of April, 2004, and was listed on the Nigerian Stock Exchange on 29th November, 2006.

Operating Results

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

	2012 ₦'000	2011 ₦'000
Gross Premiums	7,742,785	6,407,713
Net Premiums Underwriting Income	4,620,455	4,225,753
Other Revenue	1,222,331	752,555
Total Revenue	**5,842,786**	4,978,308
Net Benefit and Claims	(920,434)	(1,553,950)
Impairment for Insurance Receivable	(84,266)	(1,113,295)
Other Expenses	(3,252,973)	(2,824,909)
Total Benefits, Claims and Other Expenses	**(4,257,673)**	(5,492,154)
Profit Before Tax	1,585,113	(513,847)
Income Tax Expenses	(108,759)	(25,097)
Profit/(Loss) for the year	1,476,355	(538,943)

Other Comprehensive Income

Total Comprehensive Income for the year, net of tax	(12,435)	(13,887)
	1,463,920	(552,830)

Board of Directors

The members of the Board of Directors of the Company as at December 31, 2012 are as follows:

1. H.H. (Dr.) Ephraim F. Faloughi, OON - Chairman
2. Mr. Oluseun O. Ajayi - Vice Chairman
3. Mr. Bolaji Agbabiaka - Director
4. Mrs. A. A. Taire, OFR - Director
5. Mr. Kolapo Lawson - Director
6. Sir (Dr.) Ogala Osoka, MFR - Director
7. Prof. Steve Azaiki, OON - Director
8. Col. Musa Shehu (Rtd), OFR - Independent Director
9. Mr. Olawale Onaolapo - Managing Director/CEO

Directors Shareholding

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

Directors	Direct	Indirect	Total Dec. 2012	Total Dec. 2011
H.H. (Dr.) Ephraim F. Faloughi	662,477,022	916,179,557	1,578,656,579	1,526,662,669
Mr. Oluseun O. Ajayi	183,078,430	175,838,720	358,917,150	356,917,150
Mr. Bolaji Agbabiaka	23,202,090	-	23,202,090	23,202,090
Mrs. A. A. Taire	9,245,614	444,211,801	453,457,415	453,457,415
Mr. Kolapo Lawson	-	68,181,747	68,181,747	68,181,747
Sir (Dr.) Ogala Osoka	29,256,664	-	29,256,664	29,256,664
Prof. Steve Azaiki	-	900,000,000	900,000,000	900,000,000
Mr. Olawale Onaolapo	104,434,560	-	104,434,560	104,434,560

Directors' Interest in Contracts

None of the directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the Company was involved during the year ended December 31, 2012.

Shareholding Analysis

Share Range	No of Shareholders	% of Shareholders	No of Holdings	% of Holdings
1001-5000	2,035	23.69	4,881,684	0.07
5001-10000	1,068	12.43	7,907,918	0.12
10001-50000	2,893	33.67	72,595,283	1.06
50001-100000	972	11.31	68,966,912	1.00
100001-500000	1,177	13.70	242,291,984	3.53
500001-1000000	177	2.06	123,670,087	1.80
1000001-5000000	197	2.29	392,902,256	5.72
5000001-10000000	20	0.23	144,316,067	2.10
10000001 & Above	52	0.61	5,814,221,203	84.61
TOTAL	**8,591**	**100.00**	**6,871,757,394**	**100.00**

Shareholder	As at December 2011 No of Holding	% of Holding
Bayelsa State Government	900,000,000	13.10
TEEOF Holdings Limited	916,179,557	13.33
TWSN Limited	444,211,801	6.46
Faloughi Ephraim F.	662,477,022	9.64
Others	3,948,889,014	57.47
TOTAL	**6,871,757,394**	**100**

Acquisition of own Shares

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

Company's Distributors

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

Events after the Reporting Period

There has been no material change in the Company's financial position since 31st December, 2012 that would have affected the true and fair view of the Company's state of affairs as at date.

Property and Equipments

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

Insurance Technical Agreements

The Company had reinsurance treaty arrangements with the following Companies during the year:

- Africa Reinsurance Corporation;
- Continental Reinsurance Company Limited;
- WAICA Reinsurance Pool; and
- Aveni Reinsurance Company Limited.

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.

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

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

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

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

- **Finance and General Purposes Committee**

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

- **Investment Committee**

1.	Mr. Oluseun O. Ajayi	Chairman
2.	Mr. Bolaji Agbabiaka	Member
3.	Mr. Wale Onaolapo	Member

- **Enterprise Risk Management Committee**

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

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

Employees and Employment

Employees' Health, Safety and Environment

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

Employment of Disabled Persons

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

Employees' Involvement and Training

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

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

Donations

Donations during the year ended December 31, 2012 amounted to ₦2,050,000 (2011: ₦1,220,000) as follows:

	2012 ₦
Lagos State Leadership Conference	250,000.00
Teenage Life	250,000.00
Chartered Insurance Institute of Nigeria	350,000.00
Junior Chambers International, Nigeria	750,000.00
Nigeria National Bureau	450,000.00
	2,050,000.00

RECORD OF ATTENDANCE AT BOARD MEETINGS FOR THE YEAR 2012

DIRECTORS	MAY 30, 2012	JUNE 20, 2012	AUG 30, 2012	NOV 27, 2012
H.H. E. F. FALOUGHI	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	NO	YES
MR BOLAJI AGBABIAKA	YES	YES	YES	YES
PROF. STEVE AZAIKI	YES	YES	YES	YES
MR KOLAPO LAWSON	NO	YES	NO	NO
MRS A.A TAIRE	YES	YES	YES	YES
SIR OGALA OSOKA	YES	YES	YES	YES
COL. MUSA SHEHU (RTD)	YES	YES	YES	YES
MR OLAWALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU				YES

RECORD OF ATTENDANCE AT THE FINANCE & GENERAL PURPOSES COMMITTEE MEETINGS FOR 2012

MEMBERS	MAR 23, 2012	JUN 12, 2012	AUG 9, 2012	NOV. 2, 2012	DEC 24, 2012
MR KOLAPO LAWSON	YES	YES	NO	YES	NO
MR BOLAJI AGBABIAKA	YES	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES	NO	NO
SIR OGALA OSOKA	NO	YES	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES	YES	YES

RECORD OF ATTENDANCE AT THE INVESTMENT COMMITTEE MEETINGS FOR 2012

MEMBERS	MAY 17, 2012	NOV 6, 2012	NOV 22, 2012
MR SEUN AJAYI	YES	YES	YES
MR. BOLAJI AGBABIAKA	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES

RECORD OF ATTENDANCE AT THE ESTABLISHMENT & BUSINESS DEVELOPMENT COMMITTEE MEETINGS FOR 2012

MEMBERS	MAR 1, 2012	MAY 22, 2012	AUG 24, 2012	NOV. 20, 2012
SIR OGALA OSOKA	YES	YES	YES	YES
MRS A.A. TAIRE	YES	NO	YES	YES
COL. MUSA SHEHU (RTD)	YES	YES	YES	NO
MR WALE ONAOLAPO	YES	YES	YES	YES

RECORD OF ATTENDANCE AT THE ENTERPRISE & RISK MANAGEMENT COMMITTEE MEETINGS FOR 2012

MEMBERS	JUN 22, 2012	NOV 22, 2012
MR. BOLAJI AGBABIAKA	YES	YES
MR SEUN AJAYI	YES	YES
PROF. STEVE AZAIKI	YES	YES
MR WALE ONAOLAPO	YES	YES

RECORD OF ATTENDANCE AT THE STATUTORY AUDIT COMMITTEE MEETINGS FOR 2012

MEMBERS	FEB 15, 2012	MAR 21, 2012	OCT. 11, 2012
MR. BIMBO OGUNTUNDE	YES	YES	YES
OTUNBA FEMI DINAH	YES	YES	YES
SIR OGALA OSOKA	YES	NO	YES
MRS A. A. TAIRE	YES	YES	YES

External Auditors

The External Auditors, Messrs. SIAO (Chartered Accountants) have shown their willingness to continue as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act 2004 as amended. A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of the Board.

EQUITY UNION LIMITED

Yetunde Martins
Equity Union Limited
FRC/2013/NBA/00000003399
Company Secretaries
Lagos, Nigeria

Date July 5, 2013

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

The responsibilities include ensuring that:

- Appropriate and adequate internal controls are established to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

- The Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Financial Reporting Council Act No 6 of 2011, Companies and Allied Matters Act, 2004, Insurance Act, 2003.

- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and

- The financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.

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

- First –time Adoption of International Financial Reporting Standards- IFRS 1
- Financial Reporting Council Act No 6 of 2011
- Insurance Act, 2003
- Companies and Allied Matters Act, 2004
- Pension Reform Act 2004

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

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

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

Signed on behalf of the Directors on July 8, 2013 by:

....
Mr. Wale Onaolapo
MD/CEO

....
H.H. (Dr.) Ephraim Faloughi (OON)
Chairman

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

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended December 31, 2012 that:

- We have reviewed the report;

- To the best of our knowledge, the report does not contain:

- Any untrue statement of a material fact, or

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

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

- We:
- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiary is made known to such officers by others within those entries particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

- We have disclosed to the auditors of the Company and Audit Committee:

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

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

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

....
Mr. Wale Onaolapo (MD/CEO)
FRC/2013/CIIN/00000002542

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

SIAO

To the members of Sovereign Trust Insurance Plc

Report on the Financial Statements

We have audited the accompanying financial statements of **Sovereign Trust Insurance Plc** which comprise the statement of financial position as at December 31, 2012, and the income statements and statements of cash flows for the year then ended, and the statement of accounting policies, notes to the financial statements as set out in pages 39 to 135.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Sovereign Trust Insurance Plc** as at December 31, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and in the manner required by Financial Reporting Council Act No 6 of 2011,the Companies and Allied Matters Act, CAP C20 LFN 2004, the Insurance Act 2003 of Nigeria, the Investments and Securities Act 2007 and the relevant NAICOM circulars.

Report on Other Legal Requirements

Compliance with the requirements of the Companies and Allied Matters Act of Nigeria 2004

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

SIAO
Lagos, Nigeria

Date 8th July, 2013
FRC/2013/ICAN/00000001548

To the Members of Sovereign Trust Insurance Plc

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

- We have reviewed the scope and planning of the audit for the year ended December 31, 2012 and we confirm that they were adequate.
- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices.
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended December 31, 2012.

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

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

Date July 5, 2013

Members of the Audit Committee

Mr. Bimbo Oguntunde
(Shareholders' Representative) - Chairman

Otunba Femi Dina
Shareholders' Representative) - Member

Mrs. Adefemi A. Taire
(Directors' Representative) - Member

Sir (Dr.) Ogala Osoka
(Directors' Representative) - Member

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

1.0 General Information

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

The principal activity of the Company is the provision of all classes of non-life insurance and special risk insurance. The Company, currently having its corporate head office at 17, Ademola Adetokunbo Street, Victoria Island, Lagos with 21 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 financial statement was authorised by Board on 5th July 2013.

2.0 Summary of Significant Accounting Policies

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

2.1 Going Concern Assessment

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

2.2 Basis of Preparation and Compliance with IFRS

These financial statements are the stand alone financial statements of Sovereign Trust Insurance ("the Company").

The Company's financial statements for the year 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These are the first annual financial statements of Sovereign Trust Insurance prepared in accordance with IFRS and IFRS 1: First-time Adoption of IFRS has been applied.
An explanation of how the transition from Nigerian GAAP to IFRS has affected the company's financial position is contained in Note 48 to the financial statements.

Functional and Presentation of Currency

The financial statements are presented in Nigerian currency (Naira) which is the Company's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand (₦000).

Basis of Measurement

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

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

amortised cost.

- Investment properties which are measured at fair value.

2.3 Critical Accounting Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the Note 2.4.

2.4 Judgement, Estimates and Assumption

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

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

2.4.1 Income Taxes

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

2.4.2 Retirement Benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The assumptions used in determining the net cost (income) for gratuity include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability. Other key assumptions for gratuity obligations are based in part on current market conditions.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. 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 judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment 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.

2.4.3 Fair Valuation of Investment Properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

2.5 Improvements to IFRSs

2.5.1 Standards, Amendments and Interpretations Effective on or after 1 January 2012

The following standards, amendments and interpretations became effective on 1 January 2012:

- ***Amendment to IAS 12: Income taxes - Deferred tax (effective for periods beginning on or after 1 January 2012)***

This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, namely the inclusion of a rebuttable presumption that investment property measured at fair value is recovered entirely by sale.

- ***Amendment to IFRS 7: Financial instruments: Disclosures - Transfers of financial assets (effective for periods beginning on or after 1 July 2011)***

This amendment expands the disclosure in respect of transfers of financial assets with the aim of improving users' understanding of the risk exposures relating to such transfers and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- ***Amendment to IFRS 1: First time adoption - Fixed dates and hyperinflation (effective for periods beginning on or after 1 July 2011).***

The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.

The above amendments have no impact in the accounting policies, financial position and financial performance of the Company.

2.5.2 Standards, Amendments and Interpretations Issued but not yet effective for the 31 December 2012 year end

Management is in the process of assessing the impact of the guidance set out below on the Company and the timing of its adoption by the Company.

- ***Amendments to IFRS 1: 'First time adoption of IFRS' (Improvements to IFRSs (Issued May 2012) (effective for periods beginning on or after 1 July 2012)***

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances.

The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date.

The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.
The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 1: 'Presentation of financial statements' (Improvements to IFRSs (Issued May 2012) (effective for periods beginning on or after 1 July 2012).***

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 16: 'Property, plant and equipment' (Improvements to IFRSs (Issued May 2012) (effective for periods beginning on or after 1 July 2012)***

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 32: 'Financial instruments: Presentation' (Improvements to IFRSs (Issued May 2012) (effective for periods beginning on or after 1 July 2012)***

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 34: 'Interim financial reporting' (Improvements to IFRSs (Issued May 2012) (effective for periods beginning on or after 1 July 2012)***

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IFRS 1: 'First time adoption' on government loans (effective for periods beginning on or after 1 January 2013)***

This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting (effective for periods beginning on or after 1 January 2013)***

The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 19: Employee benefits (effective for periods beginning on or after 1 July 2012)***

This amendment eliminates the corridor approach and calculates funding costs on a net funding basis.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to IAS 1: Financial statement presentation - Other comprehensive income (effective for periods beginning on or after 1 July 2012)***

The main change resulting from this amendment is a requirement for entities to group items presented in Other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 9: Financial instruments (2009) (effective for periods beginning on or after 1 January 2013)***

IFRS 9 addresses the recognition, derecognition, classification and measurement of financial assets and financial liabilities. In respect of financial assets, IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The classification and measurement of financial liabilities have remained as per IAS 39 with the exception of financial liabilities designated at fair value through profit or loss where the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 9: Financial instruments (2010) (effective for periods beginning on or after 1 January 2013)***

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendments to IFRS 9 – Financial Instruments (2011) (effective for periods beginning on or after 1 January 2015)***

The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013.

This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 10: Consolidated financial statements (effective for periods beginning on or after 1 January 2013)***

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 11: Joint arrangements (effective for periods beginning on or after 1 January 2013)***

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has right to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 12: Disclosures of interests in other entities (effective for periods beginning on or after 1 January 2013)***

This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

IFRS 9: Financial instruments (2009) (effective for periods beginning on or after 1 January 2013)

IFRS 9 addresses the recognition, derecognition, classification and measurement of financial assets and financial liabilities. In respect of financial assets, IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The classification and measurement of financial liabilities have remained as per IAS 39 with the exception of financial liabilities designated at fair value through profit or loss where the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 9: Financial instruments (2010) (effective for periods beginning on or after 1 January 2013)***

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments.
The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

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The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time.

The requirement to restate comparatives and the disclosures required on transition have also been modified.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

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The adoption of this amendment will have no impact on the financial position and performance of the Company.

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The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 12: Disclosures of interests in other entities (effective for periods beginning on or after 1 January 2013)***

This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRS 13: Fair value measurement (effective for periods beginning on or after 1 January 2013)***

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IAS 27 (revised 2011): Separate financial statements (effective for periods beginning on or after 1 January 2013)***

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IAS 28 (revised 2011): Associates and joint ventures (effective for periods beginning on or after 1 January 2013)***

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendments to IAS 32 – Financial Instruments: Presentation: Associates and joint ventures (effective for periods beginning on or after 1 January 2014)***

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities' (effective for periods beginning on or after 1 January 2013)***

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted - for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

The adoption of this amendment will have no impact on the financial position and performance of the Company.

- ***IFRIC 20: Stripping costs in the production phase of a surface mine (effective for periods beginning on or after 1 January 2013)***

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'.

The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.
The adoption of this amendment will have no impact on the financial position and performance of the Company.

None of the above guidance has been early-adopted by the Company.

2.6 Foreign Currency Translation

2.6.1 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousands. Naira is the Company's functional and presentation currency.

2.6.2 Transactions and Balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and these are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated at the spot rate of exchange prevailing at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; nonmonetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

3.0 Details of Accounting Policies

3.1 Cash and Cash Equivalents

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

3.1.1 Book Overdraft

Book overdraft represents an excess of outstanding cheques on the company's book over its reported bank balances. Under our cash management, cheques issued but not yet presented to banks frequently result in book overdraft balances and when the bank has a right to offset the overdraft balance with another bank account of the business, the overdraft is netted off against the other bank accounts maintained with the same bank and the net balance is shown as cash and cash equivalents. When the bank has no such right to offset, the overdraft is classified as current liability in the company's statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding book overdrafts.

3.2 Financial Assets

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

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

3.2.1 Financial Assets at Fair Value Through Profit or Loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Company as at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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

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

3.2.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
(1) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designated as at fair value through profit or loss;

(2) those that the Company upon initial recognition designates as available for sale; or
(3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Interest is included in the statement of comprehensive income and reported under investment income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of instrument and recognised in the statement of comprehensive income as 'Impairment charges'.

3.2.3 Held to Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:
(1) those that the Company upon initial recognition designated as at fair value through profit or loss;

(2) those that the Company designates as available-for-sale; and
(3) those that meet the definition of loans and receivables.

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

Interest on held-to-maturity investments is included in the statement of comprehensive income and reported under investment income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income as 'Net (losses) on investment securities'.

The state bonds are classified as held to maturity.

3.2.4 Available-for-Sale Financial Assets

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income is recognised in the statement of comprehensive income. However, interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income under investment when the Company's right to receive payment is established. The investment in unquoted equities, Federal Government Bond, managed funds and treasury bills are classified as available for sale.

3.2.5 Determination of Fair Value

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.
For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty market development.

3.3 Trade Receivables

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

3.3.1 Derecognition

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

3.4 Reinsurance

The Company cedes insurance risk in the normal course of business for the purpose of limiting its net loss potential on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.
Premium ceded, claims reimbursed and commission recovered are presented in the statement of comprehensive income and statement of financial position separately from the gross amounts.

3.5 Deferred Acquisition Costs (DAC)

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

DAC are derecognized when the related contracts are either settled or disposed off.

3.5.1 Deferred Expenses-Reinsurance Commission

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

3.6 Other Receivables and Prepayments

Other receivables and prepayments are carried at amortised cost less any accumulated impairment losses

3.7 Investment Properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company, are classified as investment properties. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

3.7.1 Requirement and Measurement

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.
Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.
The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by independent valuation experts.

3.7.2 Transfer

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

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

3.7.3 De-recognition

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

3.8 Property and Equipment

Property and equipment comprise mainly land and buildings, motor vehicles, computer and office equipment, furniture and fittings and plant and machinery and

are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property and equipment is recognized when it is probable that economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The depreciation method is also reviewed at each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment was impaired at 31 December 2012 (31 December 2011).

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

3.9 Statutory Deposit

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

3.10 Insurance Contracts

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

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

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

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

Salvages

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

Subrogation

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

3.11 Insurance Contract Liabilities

These are computed in compliances with the provision of section 20, 21, and 22 of the Insurance Act 2003 as follows:

3.12 General Insurance Contracts

i **Reserves for Unearned Premium**

In compliance with Section 20(1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

ii **Reserve for Outstanding Claims**

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

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

Reserves for Unearned Premium

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

3.11.2 Liability Adequacy Test

At each end of the reporting period, liability adequacy test are performed by an Actuary to ensure the adequacy of the insurance contract liability. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used.

Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from Liability Adequacy test ''the unexpired risk provision.''

3.12 Financial Liabilities

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

3.12.1 *Financial Liabilities at Fair Value Through Profit or Loss*

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

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

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the statement of comprehensive income in fair value gains and losses.
The Company did not have any financial liabilities that meet the classification criteria of held for trading and did not designate any financial liabilities as at fair value through profit or loss.

3.12.2 *Other Liabilities Measured at Amortised Cost*

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

3.13 Debt Securities

Details of the recognition of measurement of debt securities are treated in financial liability accounting policies

3.14 Trade Payables
3.15 Other Payables and Accruals

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

3.16 Employee Benefits

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

3.16.1 Pension Costs

The Company operates a defined contribution scheme for its staff and is managed by a highly reputable pension fund administrator. Under the scheme, the company contributes 7.5% while each employee contributes 7.5% of basic salary, housing and transport allowances on a monthly basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.16.2 Gratuity Benefits

The Company operates a non-contributory defined benefits service gratuity scheme for its employees. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Company. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of Federal Government Bonds of Nigeria as High Quality Corporate bonds are not available.

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

3.17 Income Tax

3.17.1 *Current Income Tax*

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

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

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

The Company does not offset income tax liabilities and current income tax assets.

3.17.2 *Deferred Income Tax*

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

3.18 Share capital

3.18.1 *Share Issue Costs*

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

3.18.2 *Dividends on ordinary shares*

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

Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note.
Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

3.19 Share Premium

This represents the excess amount paid by Shareholders on the borrowing value of the shares. This amount is distributable to the shareholders at their discretion.

The share premium is classified as an equity instrument in the statement financial position.

3.20 Contingency Reserves

Non-life business

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

3.21 Available-for-Sale Reserve

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

3.22 Retained Earnings

The retained earnings comprises of undistributed profit/ (loss) from previous years and not current years. Retained earnings is classified as part of equity in the statement of financial position.

3.23 Gross Premium

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

3.23.1 Reinsurance

Reinsurance premiums are recognised as outflows in accordance with the tenor of the reinsurance contract.

3.24 Reinsurance Cost

Reinsurance cost represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

3.25 Fees and Commission Income

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

3.26 Claim Expenses

Claim incurred comprise claim paid claims handling expenses paid during the financial year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year whether arising from events during the year.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owned to contract holders or third parties damaged by the contract holder.

3.27 Underwriting Expenses

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

3.28 Dividend Income

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

3.29 Interest Income and Other Income

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

calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

3.30 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.30.1 *Assets carried at amortised cost*

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

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

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

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

3.30.2 *Assets Classified as Available for Sale*

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

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

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

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

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

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment

below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Comprehensive Income – is removed from other comprehensive income and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in their fair value after impairment are recognised directly in other comprehensive income.
In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the statement of comprehensive income.
In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

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

Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.
Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

3.31 Management Expenses

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

3.32 Provisions, contingent liabilities and assets

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

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

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

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

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

3.33 Comparatives

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

3.34 Segment Reporting

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

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March 6, 2013

REPORT ON THE EVALUATION OF THE BOARD OF DIRECTORS OF SOVEREIGN TRUST INSURANCE PLC FOR THE YEAR ENDED 31 DECEMBER 2011

Deloitte Corporate Services Limited was engaged as External Consultants by the Board of Directors of Sovereign Trust Insurance Plc ("the Company, "STI"") to carry out an evaluation of the Board as required by **Section 5.07 of NAICOM Code of Corporate Governance for Insurance Companies ("the NAICOM Code") and Section 15 of the Securities and Exchange Commission Code of Corporate Governance for Public Companies in Nigeria ("the SEC Code)** covering all aspects of the Board's structure, composition, responsibilities, processes and relationships during the period ended 31st December 2011.

Our responsibility was to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated the 24th of January 2012.

On the basis of our work, except as noted in our Report, it is our conclusion that the Company's corporate governance practices are largely in compliance with the key provisions of the Codes. The composition of the Board reflects the competence and experience required of the Board of an Insurance Company of STI's status. The Board was involved in defining the strategic direction of the Company and had in place adequate mechanism for monitoring the implementation of its decisions.

It is the responsibility of the Board, as provided in the Codes of Corporate Governance, to sustain a culture of compliance with the precepts of good corporate governance by ensuring that the structures, policies and processes remain compliant with the Codes and best practice. Our appraisal of the Board and its activities disclose that the Directors of STI are fully aware of their responsibilities under the Codes and other relevant legislation.

On conclusion of our review, we have recommended that the Board should formalize the process of appointing Directors. We have recommended the codification of Board and Committee Charters as well as the development of a formal Induction and Training Plan for Directors.

The details of our review, key findings and other recommendations are contained in our Report.

Yours faithfully,

For: Deloitte Corporate Services Ltd

Bisi Adeyemi
Managing Director

Deloitte Corporate Services Limited

Directors: . **Abel Ajayi (Chairman) . Obi Ogbechi . Seni Ogunsanya . Adebisi Adeyemi (Managing Director)**

Statement of Financial Position

	Notes	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	1 Jan. 2011 ₦'000
Assets				
Cash and cash equivalents	1	1,166,795	1,431,579	507,609
Financial assets :	2			
- Available for sale	2.2	357,166	585,138	378,219
- Fair value through profit & loss	2.3	333,768	369,471	486,060
- Held to maturity	2.4	20,000	10,000	10,000
- Loans and receivable	2.5	206,353	186,682	150,153
Trade receivables	3	1,149,175	561,045	764,613
Reinsurance assets	4	1,322,312	851,332	509,951
Deferred acquisition costs	5	541,467	266,962	287,203
Other receivables and prepayments	6	95,421	84,677	47,676
Investment properties	7	1,053,030	860,311	864,774
Property and equipment	8	552,747	583,310	517,123
Statutory deposits	9	315,000	315,000	315,000
Total assets		**7,113,234**	**6,105,508**	**4,838,381**
Liabilities				
Insurance contract liabilities	10	2,239,625	1,970,949	1,121,495
Debt securities in issue	11	1,007,775	1,523,877	1,441,028
Trade payables	12	250,559	171,892	140,883
Other payables & accruals	13	42,140	64,129	43,611
Book overdraft	14	-	24,925	23,522
Retirement benefit obligations	15	271,641	229,651	1,989
Current tax payable	16	127,506	83,475	54,885
Deferred tax liabilities	17	35,183	57,935	111,168
Total liabilities		**3,974,430**	**4,126,833**	**2,938,581**
Equity				
Issued share capital	18	3,435,879	3,435,879	2,601,879
Share premium	19	116,843	145,763	191,943
Contingency reserve	20	1,192,422	960,138	767,908
Retained earnings	21	(1,605,880)	(2,566,003)	(1,678,715)
Available for Sale Reserve	22	(460)	2,898	16,785
Total equity		**3,138,804**	**1,978,675**	**1,899,800**
Total equity and liabilities		**7,113,234**	**6,105,508**	**4,838,381**

These accounts were approved by Board on July 8, 2013 and signed on its behalf by:

Mr. Kayode Adigun (CFO)	**Mr. Wale Onaolapo (MD)**	**H.H. Ephraim Faloughi(Chairman)**
FRC/2013/ICAN/00000002652	FRC/2013/CIIN/00000002542	FRC/2013/IODN/00000002965

The significant accounting policies on pages 39 to 61 and the accompanying explanatory notes on pages 67 to 135 form an integral part of these financial statements.

Statement of Comprehensive Income

	Notes	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Gross premiums written		7,742,785	6,407,713
Gross premium income		7,502,203	6,173,285
Reinsurance expenses		(2,881,748)	(1,947,532)
Net premiums earned	23	4,620,455	4,225,753
Fee and commission income	24	374,007	281,164
Net underwriting income		4,994,462	4,506,917
Claims expenses	25	(920,434)	(1,553,950)
Underwriting expenses	26	(1,589,788)	(1,301,183)
Underwriting profit		2,484,240	1,651,784
Investment income	27	328,233	170,776
Net realized losses/gains on investment securities	28	(35,835)	11,560
Other income	29	78,042	273,230
Bad debt recovered	30	255,108	119,730
Foreign exchange difference	31	186,941	(92,345)
Impairment for trade receivable	3.1	(84,267)	(1,113,295)
Management expenses	32	(1,575,558)	(1,469,378)
		1,636,906	(447,939)
Finance Cost	33	(51,792)	(65,908)
Profit before tax		1,585,113	(513,847)
Income taxes	16	(108,759)	(25,097)
Profit after tax		1,476,355	(538,943)
Other Comprehensive Income			
Actuarial gains/(losses) in defined gratuity scheme	34	(9,077)	-
- Unrealised net gains/(losses) arising during the period	35	2,955	(2,327)
- Net reclassification adjustment for realised net losses	36	(6,313)	(11,560)
Other comprehensive income for the year, net of tax		(12,435)	(13,887)
Total Comprehensive Income for the Year		1,463,920	(552,830)
Basic Earnings Per Share (kobo)	37	**23**	(9)

The significant accounting policies on pages 39 to 61 and the accompanying explanatory notes on pages 67 to 135 form an integral part of these financial statements.

	Share Capital	Share Premium	Retained Earnings	Available Reserve For Sale	Contingency Reserve	Total Equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2011	2,601,879	191,943	(1,678,715)	16,785	767,908	1,899,800
Profit or loss for the period	-	-	(538,943)	-	-	(538,943)
Other comprehensive Income	-	-	-	(13,887)	-	(13,887)
Total comprehensive income or loss	**2,601,879**	**191,943**	**(2,217,659)**	**2,898**	**767,908**	**1,346,969**
Issue of new shares	834,000	-	-	-	-	834,000
Capital raising expenses		(46,180)	-	-	-	(46,180)
Dividend paid	-	-	(156,114)	-	-	(156,114)
Transfer to contingency reserve	-	-	(192,230)	-	192,230	-
At 31 December 2011	**3,435,879**	**145,763**	**(2,566,003)**	**2,898**	**960,138**	**1,978,675**
Profit or loss for the period	-	-	1,476,355	-	-	1,476,355
Comprehensive Income	-	-	(9,077)	(3,358)	-	(12,435)
Total comprehensive income	-	-	1,467,278	(3,358)	-	1,463,920
Dividend paid			**(274,871)**	-	-	(274,871)
Capital raising expenses	-	(28,920)	-	-	-	(28,920)
Transfer to contingency reserve			(232,284)		232,284	-
At 31 December 2012	**3,435,879**	**116,843**	**(1,605,880)**	**(460)**	**1,192,422**	**3,138,804**

	Note	31 Dec. 2012	31 Dec. 2011
		₦'000	₦'000
Operating activities			
Premium received from policy holders		7,084,915	5,383,289
Reinsurance receipt in respect of claim		200,374	46,107
Cash paid to and on behalf of employees		(640,703)	(803,399)
Reinsurance premium paid		(2,881,748)	(1,947,532)
Other Operating cash payments		(2,238,604)	(1,145,591)
Claims paid		(1,116,497)	(1,105,836)
Company income tax paid		(87,480)	(49,740)
Net cash provided by operating activities	**38**	**320,257**	**377,298**
Investing activities			
Purchase of Fixed Assets		(181,108)	(163,363)
Purchase of investments		(15,752)	(139,879)
Proceed on Sale of Quoted Investments		226,165	269,276
Purchase of investment property		(166,033)	(139,565)
Interest received		186,962	154,390
Dividends received		26,212	8,041
Net cash inflow/(outflow) in investing activities		**76,447**	(11,100)
Financing activities			
Redemption on bond liability		(332,772)	(75,337)
Proceeds from issue of shares		(28,920)	834,000
Rights issue expense		-	(46,180)
Dividend paid		(274,871)	(156,113)
Net cash (outfow)/inflow from financing activities		**(636,563)**	556,370
(Decrease)/Increase in cash and cash equivalents		(239,859)	922,567
Cash and cash equivalents at January 1,		1,406,654	484,087
Cash and cash equivalents at December 31,	39	**1,166,795**	1,406,654
Cash and cash equivalents at end of year comprises			
Cash and cash equivalents		**1,166,795**	1,431,579
Book overdraft		-	(24,925)
		1,166,795	1,406,654

The accounting significant policies on pages 39 to 61 and the accompanying explanatory notes on pages 67 to 135 form an integral part of these financial statements

	31 Dec.	31 Dec.	31 Dec.
1 Cash and Cash Equivalent	2012	2011	2010
	N'000	N'000	N'000
Cash	10,691	8,592	23,586
Local bank balances	234,818	250,692	176,871
Short term deposit and placements	921,286	1,172,295	307,152
Transfer from creditors & accrual	-	-	-
	1,166,795	1,431,579	507,609

2 Financial Assets

2.1 Analysis of investment securities	N'000	N'000	N'000
Available for sale	357,166	585,138	378,219
Fair value through profit & loss	333,768	369,471	486,060
Held to maturity	20,000	10,000	10,000
Loans and receivable	206,353	186,682	150,153
	917,287	1,151,291	1,024,432
Current	563,519	771,820	528,372
Non-current	353,768	379,471	496,060
	917,287	1,151,291	1,024,432

2.2 Available for sales			
Debt Securities			
Treasury bills	57,731	22,868	-
FGN bonds	20,000	-	-
Placements with banks and other financial institutions	128,318	235,161	93,474
Managed fund	63,455	244,389	185,325
	269,504	502,418	278,799
Equity Securities			
Quoted equity securities at fair value	-	-	58,000
Unquoted equity securities at fair value	87,662	82,720	41,420
	357,166	585,138	378,219

The fair value of unquoted equities was determined on market based evidence for the MTN shares which constituted over 80% of the total value. The over the counter price (OTC) that was used in the last transaction before the reporting date was used as a reflection of fair value. The other investment of ₦8, 299,000 refers to cost incurred in setting up a subsidiary that are not being incorporated hence the cost was used as approximation of the fair value.

The other unquoted investments were fair valued to nil as the investee had negative equity and are making losses consistently and there was no market based evidence of fair value on them due to no transaction taken place.

The managed fund represents cash balance held in the stockbrokerage account as at 31st December, 2012. Such funds are held for the purpose of trading in quoted shares on the Nigerian Stock Exchange.

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
2.3 Fair Value Through Profit and Loss			
Quoted equity securities at fair value	333,768	369,471	486,060
2.4 Held to Maturity			
State bonds at amortized cost	20,000	10,000	10,000
2.5 Loans and Receivables			
Mortgage loan	80,658	89,682	87,499
Loans to organisation	65,000	97,000	62,654
Managed fund	60,695	-	-
	206,353	186,682	150,153

The total Short-term investments of N125, 695,000 is classified as loans and receivables and comprise of N65, 000,000 being loan to companies, and N60, 695,000 as investments placed with fund managers.

3 Trade Receivables			
Amount due from Insurance Brokers and Agents	3,706,232	3,269,709	2,519,675
Due from Insurance Companies	99,629	118,863	78,900
	3,805,861	3,388,572	2,598,575
Less : Provision for impairment of receivables from Brokers and Agents	(2,656,686)	(2,827,527)	(1,833,962)
	1,149,175	561,045	764,613

3.1 Movement in Provision for Impairment of Receivables from Brokerage and Agents	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
As at January1,	2,827,527	1,833,962	1,833,962
Charge during the year	84,267	1,113,295	-
Provision no longer required	(255,108)	(119,730)	-
As at December31	2,656,686	2,827,527	1,833,962

The increase in provision was due to the determination of the management using different basis under IFRS from NGAAP.

Under NGAAP the provision was lower as management assessed debtors outstanding for 90 days and below as fully performing while 50% was provided for on debtors outstanding from 90 to 180 days and trade debtors outstanding for over 180 days were provided in full.
This was contrary to the provision under IFRS where two categories of debtors were provided for, and these were :
Doubtful trade receivables for which insurance brokers and clients failed to meet their premium obligations when due, the policies on which the premiums were due had expired or had been cancelled and Uncollectable trade receivables being those on which the policies had been cancelled or expired, the clients were no longer in operation and were long outstanding, i.e. for more than 365 days.

Analysis of Trade Receivables

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Brokers	2,829,781	2,267,156	1,815,913
Government Accounts	264,075	374,081	219,455
Agents	612,376	628,472	484,307
Insurance Companies	99,629	118,863	78,900
	3,805,861	3,388,572	2,598,575

3.3 Age Analysis of Trade Receivable

Under 90 days	1,181,682	1,141,154	975,110
91-180 days	733,663	564,186	432,654
Above 180 days	1,890,516	1,683,233	1,190,811
	3,805,861	3,388,572	2,598,575

4. Reinsurance Assets

Reinsurance recoverable (4.1)	623,120	502,206	213,902
Deferred reinsurance (4.2)	699,192	349,126	296,049
	1,322,312	851,332	509,951

4.1 Reinsurance Recoverable	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Opening Balance	502,206	213,902	192,717
Adjustment to reinsurance assets	120,914	288,304	21,185
Less provision for impairment of receivable Reinsurance	-	-	-
	623,120	502,206	213,902

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

4.2 Deferred Reinsurance	31 Dec. 31 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Reinsurers share of unearned premium reserve	699,192	349,126	296,049
	699,192	349,126	296,049
Current	699,192	349,126	296,049
Non-current	-	-	-
	699,192	349,126	296,049

Reinsurance Cost by Class	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Motor	68,773	61,189	17,967
Fire and property	38,634	22,748	21,834
Marine and aviation	45,180	13,394	11,358
General Accident	62,470	23,816	20,195
CAR/Engineering	13,822	7,475	6,339
Energy	470,313	220,504	218,356
	699,192	349,126	296,049

5. Deferred Acquisition Cost

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

Deferred Acquisition Costs by class	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Motor	119,074	91,623	
Fire and property	70,084	42,633	
Marine and aviation	64,563	37,113	
General Accident	111,653	62,242	
CAR/Engineering	44,109	16,659	
Energy	131,984	16,692	
	541,467	266,962	287,203

6 Other Receivables & Prepayments	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Staff debtors	2,333	4,879	3,572
Prepayments	93,088	79,798	44,104
	95,421	84,677	47,676

7 Investment Properties			
Opening carrying amount	860,311	864,774	864,774
Additions during the year	166,033	139,565	-
Disposals during the year	-	(217,769)	-
Fair value gain	26,686	73,741	-
Balance at the end of the year	1,053,030	860,311	864,774

7a Investment Properties	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
May fair gardens	27,107	25,990	15,000
Royal gardens Estate	48,608	48,608	46,536
Damac Properties	93,431	80,638	73,416
Ibeshe properties	41,324	25,125	17,094
Agbara Estate properties	62,500	-	-
Lekki properties	35,260	-	-
Sunrise Estate Ipaja	37,000	-	-
Banana Estate			204,500
Investment Properties along Arietalin Road Epie	32,250	32,250	15,120
Investment Properties in Emerald court Victoria Island	110,000	111,250	-
Investment Properties at Alagbaka Junction Akure	274,550	255,450	231,108
Investment Properties along Awolowo Road Ikoyi	256,000	256,000	240,000
Investment Properties old Yaba Road	35,000	25,000	22,000
	1,053,030	860,311	864,774

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

Investment properties are stated at fair value, which has been determined based on valuations performed by the following independent valuation experts:

Valuer	FRC Registration Number
Jide Taiwo & Co.	FRC/2012/NIESV/00000001254
J. Ajay Patunola & Co	FRC/2012/NIESV/00000000679
Osato Osawaya & Co	FRC/2013/NIESV/00000004002
Gerry Ikputu & Partners	FRC/2013/NIESV/00000001685.

The valuation covered the year ended 31 December 2012, 2011 and 2010.

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

8 Property and Equipment

	Land & Buildings ₦'000	Leasehold Improvement ₦'000	Office Equipment ₦'000	Furniture & fittings ₦'000	Computer Equipment ₦'000	Motor Vehicles ₦'000	Plant & Machinery ₦'000	Total ₦'000
Cost								
At 1 January 2012	298,984	102,957	65,389	88,656	155,567	611,954	39,200	1,362,707
Additions	-	6,577	5,147	6,735	16,891	142,833	2,925	181,108
Reclassifications	-	-	(335)	335	-	-	-	-
Disposals	-	-	-	-	-	(24,050)	-	(24,050)
At 31 December 2012	**298,984**	**109,534**	**70,201**	**95,726**	**172,458**	**730,737**	**42,125**	**1,519,765**
Accumulated depreciation								
At 1 January 2012	(17,825)	(29,161)	(56,267)	(62,425)	(137,915)	(458,474)	(17,330)	(779,397)
Exchange differences	-	-	-	-	-	-	-	-
Charge for the year	(22,424)	(8,215)	(10,580)	(10,725)	(33,198)	(121,790)	(4,739)	(211,671)
Reclassifications	-	-	29	(29)	-	-	-	-
Disposals	-	-	-	-	-	24,050	-	24,050
At 31 December 2012	(40,249)	(37,376)	(66,818)	(73,179)	(171,113)	(556,214)	(22,069)	(967,018)
Net book amount at 31 December								
2012	258,735	72,158	3,383	22,547	1,345	174,523	20,056	552,747
Cost								
At 1 January 2011	297,077	95,509	59,178	80,453	136,481	557,415	36,870	1,262,983
Additions	1,907	7,448	6,211	8,203	19,086	118,178	2,330	163,363
Disposals	-	-	-	-	-	(63,639)	-	(63,639)
At 31 December 2011	298,984	102,957	65,389	88,656	155,567	611,954	39,200	1,362,707
Accumulated depreciation								
At 1 January 2011	(11,861)	(18,881)	(53,961)	(49,748)	(123,117)	(476,622)	(11,670)	(745,860)
Exchange differences								-
Charge for the year	(5,964)	(10,280)	(2,306)	(12,677)	(14,798)	(45,491)	(5,660)	(97,176)
Disposals	-	-				63,639		63,639
At 31 December 2011	(17,825)	(29,161)	(56,267)	(62,425)	(137,915)	(458,474)	(17,330)	(779,397)
Net book amount at 31 December								
2011	281,159	73,796	9,122	26,231	17,652	153,480	21,870	583,310

9 Statutory Deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2012 (31 December, 2011: N315, 000, 0000, 1 January 2011 N315, 000,000) in accordance with section 9(1) and section 10(3) of Insurance Act, 2003. Statutory deposits are measured at cost.

		31 Dec. 2012 N'000	31 Dec. 2011 N'000	31 Dec. 2010 N'000
		315,000	315,000	315,000
10	**Insurance Contract Liabilities**			
	Outstanding reported claims	255,817	50,054	65,574
	Incurred But Not Reported (IBNR)	859,967	1,037,636	407,090
	Outstanding Claim Reserves (Note 10a)	1,115,784	1,087,690	472,664
	Unearned premium provision (Note 10b)	1,123,841	883,259	648,831
		2,239,625	1,970,949	1,121,495
	Current	2,239,625	1,970,949	1,121,495
	Non-current	-	-	-
		2,239,625	1,970,949	1,121,495
10a	**Outstanding Claims Reserve**			
	As at January 1	1,087,690	472,664	-
	change in estimate of the prior year OCR	28,094	615,026	-
	As at December 31	1,115,784	1,087,690	472,664
10b	**Unearned Premium Provision**			
	As at January	883,259	648,831	648,831
	Gross Premium Income	7,742,785	6,407,713	-
	Gross Premium Earned	(7,502,203)	(6,173,285)	-
		1,123,841	883,259	648,831

10c	**Liabilities as Per Class of Business**			
	Outstanding Claim			
	Motor Vehicle	130,072	217,005	163,203
	Fire and property	83,856	73,724	43,375
	Marine & Aviation	45,547	102,114	26,952
	General Accident	143,188	115,453	73,687
	C. A. R Engineering	63,215	61,379	9,955
	Energy	649,906	518,015	155,493
		1,115,784	1,087,690	472,664

		31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
10d	**Unearned premium provision**	₦'000	₦'000	₦'000
	Motor vehicle	361,632	313,496	264,093
	Fire and property	108,250	79,766	50,470
	Marine & Aviation	98,707	71,950	50,916
	General Accident	247,672	205,672	166,181
	C. A. R Engineering	99,006	77,798	61,911
	Energy	203,207	126,930	55,260
		1,118,474	875,612	648,831

		31 Dec. 2012	31 Dec. 2011
10e	**Allocation of Assets to Policy holder**	₦'000	₦'000
	Cash and cash equivalent	941,783	1,232,289
	Financial Assets	414,885	717,868
	Investment Properties	426,061	25,468
	Reinsurance Assets	623,120	502,206
		2,405,850	2,477,831
10f	**Cash and cash equivalent**		
	Policy holders Fund	941,783	1,232,289
	Share holders Fund	225,012	199,290
		1,166,795	1,431,579
10g	**Available for sale**		
	Policy holders Fund	205,662	462,441
	Share holders Fund	51,504	122,697
		357,166	585,138
10h	**Fair Value Through Profit or Loss**		
	Policy holders Fund	209,223	255,427
	Share holders Fund	124,545	114,044
		333,768	369,471
10i	**Held to Maturity**		
	Policy holders Fund	-	-
	Share holders Fund	20,000	10,000
		20,000	10,000
10j	**Loans and Receivables**		
	Policy holders Fund	-	-
	Share holders Fund	125,695	97,000
		125,695	97,000
10h	**Investment Properties**		
	Policy holders Fund	426,061	25,468
	Share holders Fund	626,969	834,843
		1,053,030	860,311

11 Debt Securities in Issue

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
As at January 1	1,523,877	1,441,028
Redemptions	(332,772)	(75,337)
Interest expense	51,792	65,908
Exchange differences	(235,122)	92,278
As at December 31	1,007,775	1,523,877

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

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

The bond which was originally issued to mature in September 2010 has been restructured with a new maturity date set at September 2017 while options maintain the validity up to 2024.

12 Trade Payables

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Due to reinsurers	200,437	121,399	130,279
Due to insurance companies	50,122	50,493	10,604
	250,559	171,892	140,883

13 Other Payables

Lease creditors	11,006	22,374	10,050
Accrued expenses	8,974	-	6,196
Sundry creditors	22,160	41,755	27,365
	42,140	64,129	43,611

14 Book overdraft	-	24,925	23,522

The Company has a cash management system under which overdrawn book balances exist at the reporting date due to unposted lodgement and uncleared cheques.

15 Retirement benefit obligations

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

	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Statement of financial position obligation for:	₦'000	₦'000	₦'000
Staff Gratuity Plan	271,641	229,651	1,989
Income statement charge for:			
Staff Gratuity Plan	32,913	229,651	-

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

15a Staff Gratuity Plan

The amounts recognized in the statement of financial position are determined as follows:

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Present value of funded obligations	229,651	229,651
Fair value of plan assets	41,990	-
Present value of unfunded obligations	271,641	229,651
Unrecognized past service cost	-	-
As at December 31	**271,641**	**229,651**

The movement in the defined benefit obligation over the year is as follows:

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
As at January 1	229,651	-
Current service cost	16,320	-
Interest cost	16,593	-
Employee contributions	-	-
Actuarial losses/(gains)	9,077	-
Past service cost	-	229,651
Benefits paid	-	-
Settlements	-	-
As at December 31	**271,641**	**229,651**

The amounts recognized in the income statement are as follows:

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Current service cost	16,320	-
Interest cost	16,593	-
Past service cost	-	229,651
Total, included in staff costs	**32,913**	**229,651**

The principal actuarial assumptions were as follows:

Average long term discount rate (p.a.)	13%	14%
Average long term rate of inflation (p.a.)	10%	10%
Average long term pay increase (p.a.)	12%	12%

Mortality in Service

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

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

Withdrawal from Service

Age band	Rate
Less than or equal to 30	3%
31 - 39	2%
40 - 44	2%
45 - 50	0%

16 Taxation	31 Dec. 2012	31 Dec. 2011
Income tax expense	₦'000	₦'000
Company income tax	83,958	62,750
Education Tax	31,702	7,678
IT Development Levy (NITDA)	15,851	7,902
Total Current Tax	131,507	78,330
Deferred Tax		
Origination and reversal of temporary differences	(22,753)	(53,233)
Impact of change in tax rate	-	-
Amount of previously unused tax losses	-	-
Write down or reversal of deferred tax assets	-	-
Total Deferred Tax	(22,753)	(53,233)
Income Tax Expense	108,759	25,097

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

	31 Dec. 2012	31 Dec. 2011
Profit before income tax	1,585,113	(513,847)
Tax calculated at the corporate tax rate	336,560	172,067
Effect of:		
Non-deductible expenses	33,881	21,869
Education tax levy	31,702	7,678
IT Development Levy (NITDA)	15,851	7,902
Tax exempt income	(308,470)	(183,776)
Tax incentives	(765)	(642)
Tax loss effect	-	-
(Over) / under provided in prior years	-	-
Total income tax expense in income statement	108,759	25,097

The current tax charge has been computed at the applicable rate of 30% (31 December 2011: 30%) plus education levy of 2% (31 December 2011: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductable expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

The movement in the current income tax liability is as follows:	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
As at January 1	83,475	54,885
Tax paid	(87,480)	(49,740)
Income tax charge	131,511	78,330
As at December 31	127,506	83,475
Current	127,506	83,475
Non-current	-	-
	127,506	83,475

17 Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % for 2012, 2011 and 2010 respectively.

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

	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Deferred tax liabilities	₦'000	₦'000	₦'000
Property and equipment	(116,675)	(126,830)	(111,168)
	(116,675)	(126,830)	(111,168)
Deferred tax assets			
Defined benefit obligation	81,492	68,895	-
	81,492	68,895	-
As at December 31	(35,183)	(57,935)	(111,168)

	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
	₦'000	₦'000	₦'000
Net deferred tax asset/(liability)	(35,183)	(57,935)	(111,168)
Deferred tax assets			
To be recovered after more than 12 months	81,492	68,895	-
To be recovered within 12 months	-	-	-
	81,492	68,895	-
Deferred tax liabilities			
To be recovered after more than 12 months	-	-	-
To be recovered within 12 months	(116,675)	(126,830)	(111,168)
	(116,675)	(126,830)	(111,168)

Movements in temporary differences during the year:	1 January 2012	Recognized in P&L	Recognized OCI	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Property and equipment	(126,830)	10,155	-	(116,675)
Defined benefit obligation	68,895	12,597	-	81,492
	(57,935)	22,752	-	(35,183)

Movements in temporary differences during the year:	1 January 2011	Recognized in P&L	Recognized OCI	31 Dec 2011
	₦'000	₦'000	₦'000	₦'000
Property and equipment	(111,168)	(15,662)	-	(126,830)
Employee benefits	-	68,895	-	68,895
	(111,168)	53,233	-	(57,935)

18	**Share Capital**	31 Dec.2012	31 Dec. 2011	31 Dec. 2010
	Authorized	₦'000	₦'000	₦'000
	7,000,000,000 Ordinary Shares of 50k each	3,500,000	3,500,000	3,500,000
	Issued and fully paid			
	6,871,757,394 Ordinary Shares of 50k each	3,435,879	3,435,879	2,601,879
	Movements during the period:			
	As at January 1	3,435,879	2,601,879	2,601,879
	Rights issue of 1,668,000,128 Ordinary Shares of 50k each	-	834,000	-
	As at December 31	3,435,879	3,435,879	2,601,879

19	**Share Premium**			
	As at January 1	145,763	191,943	191,943
	Share raising expenses	(28,920)	(46,180)	-
	As at December 31	116,843	145,763	191,943

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

20	**Contingency Reserve**			
	As at January 1	960,138	767,908	625,070
	Transfer from retained earnings	232,284	192,230	142,838
	As at December 31	1,192,422	960,138	767,908

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

21	**Retained Earnings**	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
		₦'000	₦'000	₦'000
	As at January 1	(2,566,003)	(1,678,715)	(1,678,715)
	Statement of comprehensive income	1,476,355	(538,943)	-
	Other comprehensive income	(9,077)	-	-
	Dividend paid	(274,871)	(156,114)	-
	Transfer to contingency reserve	(232,284)	(192,230)	-
	As at December 31	(1,605,880)	(2,566,003)	(1,678,715)

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

		31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
22	**Available for Sale Reserve**	₦'000	₦'000	₦'000
	As at 1 January	2,898	16,785	16,785
	Transfer from other comprehensive income	(3,358)	(13,887)	-
		(460)	2,898	16,785

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

		31 Dec. 2012	31 Dec. 2011
23	**Net Premium Income**	₦'000	₦'000
	Gross premium written	7,742,785	6,407,713
	Provision for unearned premium (Note 23a)	(240,582)	(234,428)
	Gross premium income	7,502,203	6,173,285
	Reinsurance cost (Note 23b)	(2,881,748)	(1,947,532)
		4,620,455	4,225,753
23a	**Increase in Unearned Premium**		
	Motor	44,932	51,092
	Fire and property	29,412	29,663
	Marine & Aviation	26,636	21,364
	General Accident	42,056	40,669
	C.A.R and Engineering	21,562	16,265
	Energy	75,984	75,375
		240,582	234,428
23b	**Reinsurance Cost**		
	Motor	17,489	30,667
	Fire and property	342,562	207,321
	Marine & Aviation	222,479	187,663
	General Accident	474,029	254,387
	C.A.R and Engineering	172,721	150,048
	Energy	1,652,468	1,117,446
		2,881,748	1,947,532

24 Fee and Commission Income

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

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Motor	790	1,276
Fire and property	41,003	42,125
Marine & Aviation	31,949	60,259
General Accident	52,163	58,541
C.A.R and Engineering	11,732	31,851
Energy	236,370	87,112
	374,007	281,164

25 Claims Expenses

Current year claim paid	1,116,497	1,105,836
Outstanding Claim	82,265	668,918
	1,198,762	1,774,754
Recoverable from reinsurer	(278,328)	(220,804)
	920,434	1,553,950

26 Underwriting expenses

Acquisition cost	1,259,439	1,028,055
Maintenance cost	330,349	273,128
	1,589,788	1,301,183

27 Investment Income

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Interest income	186,962	154,390
Dividend from Quoted investments	26,212	8,041
Stock Trading Income	115,059	8,345
	328,233	170,776

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

27a Allocation of Investment Income

Policy holders Fund	180,453	111,370
Share holders Fund	147,780	59,406
	328,233	170,776

28 Net Realised (Loss)/gains	(35,835)	11,560

This represent loss or gain on unquoted investment.

		31 Dec. 2012	31 Dec. 2011
29	**Other Operating Income**	₦'000	₦'000
	Profit on sale of fixed assets	570	2,003
	Rental income	23,061	13,633
	Fair value gain on investment properties	26,686	73,741
	Other incomes	27,725	183,853
		78,042	273,230

30	**Bad Debt Recovered**	255,108	119,730

This represents amount recovered from previously written off debt.

31	**Foreign Exchange Difference**	186,941	(92,345)

These are gains/losses that arose from the translation of foreign currency denominated bond. The bond is denominated in Japanese.

		31 Dec. 2012	31 Dec. 2011
32	**Management Expenses**	₦'000	₦'000
	Auditors Remuneration	5,000	5,000
	Employee Benefits (33a)	640,703	803,399
	Other Management Expenses (33b)	718,177	563,804
	Depreciation (32c)	211,678	97,176
		1,575,558	1,469,378
32a	**Employee Benefits**		
	Salaries	567,331	479,527
	Defined contribution pension costs	52,959	37,739
	Defined benefit retirement gratuity costs	20,413	286,133
		640,703	803,399
32b	**Other Management Expenses**		
	Travel and Representation	35,051	36,426
	Advertising	81,108	87,033
	Bank Charges	60,085	19,942
	Occupancy Expenses	33,620	29,012
	Communication and Postages	14,612	12,165
	Data Processing	19,314	12,970
	Office Supply and Stationery	21,634	19,962
	Fees and Assessments	104,220	92,820
	Furniture, Equipments and Miscellaneous Expenses	348,530	253,472
		718,177	563,804
32c	**Depreciation Expense**	211,678	97,176
33	**Finance Cost**	51,792	65,908

Finance cost represents interest paid on zero coupon rate bonds.

34	**Actuarial losses in defined gratuity scheme**	(9,077)	-

		31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
35	**Unrealised Net Gains/(Losses)**	2,955	(2,327)

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

36	**Net Reclassification Adjustment**	(6,313)	(11,560)

Net reclassification adjustments refer to the fair value adjustments previously recognized in OCI. The financial instruments available for sale were disposed during the year hence the amounts are recycled to the income statement from OCI as the fair value adjustments are now realized.

37 Earnings Per Share

Basic

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

	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000
Profit/(loss) of the Company	1,585,113	(513,847)
Weighted average number of ordinary shares in issue (in thousands)	6,871,757	6,037,757
Basic earnings per share (expressed in Kobo per share)	23.07	(8.51)
Diluted		
Earnings Per Share	23.07	(8.51)

38 Reconciliation of Operating Profit/(Loss) before Tax to Cash Generated from Operations

	31 Dec. 2012	31 Dec. 2011
	₦'000	₦'000
Profit before income tax	1,585,113	(513,847)
Adju. to reconc. net profit/(loss) to net cash provided/(utili)		
Loss/(profit)on sale of fixed assets	(570)	(2,003)
Trading income	(115,059)	(8,345)
Depreciation	211,671	97,176
Interest income	(186,962)	(154,390)
Interest expense	51,792	65,908
Foreign exchange (gains)/losses	(186,941)	92,345
Net gains/(losses) on investment securities	-	(11,560)
Fair value gain on investment property	(26,686)	(73,741)
Changes in working capital		
Trade receivables	(588,130)	35,480
Creditors and accruals	31,758	51,529
Outstanding claims	-	(17,245)
Other debtors and prepayments	10,744	(161,371)
Retirement benefit obligation	41,990	193,239
Deferred acquisition cost	(274,506)	20,241
Deferred reinsurance costs	(415,153)	(53,077)
Insurance funds	268,676	866,698
Taxation paid	(87,480)	(49,740)
Cash generated from operations	**320,257**	**377,297**

39 Cash and cash equivalents

	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
For purposes of the cash flow stat.,			
cash and cash equi. compri:	₦'000	₦'000	₦'000
Cash and bank balances	245,509	259,284	200,457
Short term deposit and placements - Local	921,286	1,147,370	283,630
	1,166,795	1,406,654	484,087

40 Contingent Liabilities and Commitments

Legal Proceedings

As at year end there was no unsettled legal proceedings

41 Related Party Transactions

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

The following transactions were carried out with related parties.	31 Dec. 2012	31 Dec. 2011
(a) Sales of Insurance Contracts and Other Services	₦'000	₦'000
Sales of insurance contracts		
- Key management personnel	-	-
- Related entities	-	-
Sales of services		
- Key management personnel	-	-
- Related entities	-	-
(b) Purchases of Products and Services		
- Key management personnel	-	-
- Related entities	-	-
(c) Key Management Compensation		
Chairman and Directors Emoluments		
Emoluments	20,065	20,065
Fees	4,400	4,400
As executive	24,465	24,465
Chairman	800	800
The highest paid director	19,246	19,246

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

	Number	Number
₦50,000 - ₦1,000,000	7	7
₦2,000,001 - Above	1	1

(d) Loans to Related Parties		
Mortgage loans to Key management personnel	25,809	31,261

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

42 Employees

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

	Number 31 Dec, 2012	Number 31 Dec, 2011
Executive directors	2	1
Management	19	20
Non-management	147	147
	168	168

The staff costs for the above persons were:	31 Dec 2012 ₦'000	31 Dec 2011 ₦'000
Salaries and wages	567,331	479,527
Other	-	56,481
Staff gratuity	20,413	36,413
Staff pension	16,647	34,425
	604,391	**606,846**

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

	Number 31 Dec, 2012	Number 31 Dec, 2011
₦300,001 - ₦400,000	2	2
₦400,001 - ₦500,000	9	8
₦500,001 - ₦600,000	3	2
₦600,001 - ₦700,000	7	7
₦800,001 - ₦900,000	10	10
₦900,001 - ₦1,000,000	22	22
₦1,000,001 - ₦1,100,000	15	15
₦1,100,001 - ₦1,200,000	21	21
₦1,200,001 - ₦1,300,000	12	12
₦1,300,001 - ₦1,400,000	17	17
₦1,400,001 - ₦1,500,000	12	12
₦1,500,001 - ₦2,000,000	11	11
₦2,000,001 - ₦3,000,000	8	9
₦3,000,001 and above	19	19
	168	**167**

43 Events after Statement of Financial position Date

Convertible Bond

The company is presently at an advanced stage of discussion with Daewoo Securities (Europe) Limited towards the restructuring of the JPY 846 Million, 4.25% direct, unconditional, unsubordinated and unsecured European bonds with options. The Bond when restructured is expected to aid ease of payment within a shorter tenor.

44 Segment Analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Company's Executive Management (the chief operating decision maker).

Segment results

31 December 2012	Motor Business ₦' 000	Fire and Property ₦' 000	Marine and Aviation ₦' 000	General Accident ₦' 000	C.A.R and Engineering ₦' 000	Energy Business ₦' 000	Total ₦' 000
Direct Premium	1,557,507	874,686	796,139	1,149,814	475,484	2,862,260	7,715,890
Inward premium	5,165	3,370	12,182	3,045	2,118	1,014	26,894
Gross Premium written	**1,562,672**	**878,056**	**808,321**	**1,152,859**	**477,602**	**2,863,274**	**7,742,784**
Increase in Unexpired Risk	(44,932)	(29,412)	(26,636)	(42,056)	(21,562)	(75,984)	(240,582)
Gross premium earned	**1,517,740**	**848,644**	**781,685**	**1,110,803**	**456,040**	**2,787,290**	**7,502,202**
Reinsurance Cost	(17,489)	(342,561)	(222,479)	(474,029)	(172,721)	(1,652,468)	(2,881,747)
Net premium earned	**1,500,251**	**506,083**	**559,206**	**636,774**	**283,319**	**1,134,822**	**4,620,455**
Commission received	790	41,003	31,949	52,162	11,732	236,370	374,006
Total income	**1,501,041**	**547,086**	**591,155**	**688,936**	**295,051**	**1,371,192**	**4,994,461**
Direct claims paid	352,043	156,375	76,543	267,547	77,708	186,281	1,116,497
Increase in Outstanding Claims	(59,403)	11,577	(40,819)	29,427	9,590	131,892	82,264
Gross Claims Incurred	292,640	167,952	35,724	296,974	87,298	318,173	1,198,761
Reinsurance recovery	(9,752)	(59,456)	(48,222)	(66,388)	(24,365)	(70,145)	(278,328)
Net Claims Incurred	282,888	108,496	(12,498)	230,586	62,933	248,028	920,433
Acquisition costs	241,815	210,379	195,576	265,287	112,759	233,623	1,259,439
Maintenance costs	60,106	27,053	30,484	22,318	23,984	166,404	330,349
Total expenses	**584,809**	**345,928**	**213,562**	**518,191**	**199,676**	**648,055**	**2,510,221**
Underwriting profit	**916,232**	**201,158**	**377,593**	**170,745**	**95,375**	**723,137**	**2,484,240**

31 December 2011	Motor Business ₦' 000	Fire and Property ₦' 000	Marine and Aviation ₦' 000	General Accident ₦' 000	C.A.R and Engineering ₦' 000	Energy Business ₦' 000	Total ₦' 000
Income							
Direct Premium	1,558,032	632,267	600,053	1,095,142	408,417	2,044,249	6,338,161
Inward premium	2,431	2,816	21,464	887	3,137	38,817	69,552
Gross Premium written	**1,560,463**	**635,083**	**621,516**	**1,096,029**	**411,555**	**2,083,066**	**6,407,713**
Increase in Unexpired Risk	(51,092)	(29,663)	(21,364)	(40,669)	(16,265)	(75,375)	(234,428)
Gross premium earned	**1,509,371**	**605,420**	**600,153**	**1,055,360**	**395,290**	**2,007,692**	**6,173,285**
Reinsurance Cost	(30,667)	(207,321)	(187,663)	(254,386)	(150,048)	(1,117,446)	(1,947,531)
Net premium earned	**1,478,704**	**398,099**	**412,490**	**800,974**	**245,242**	**890,246**	**4,225,754**
Commission received	1,276	42,125	60,259	58,541	31,850	87,112	281,163
Total income	**1,479,980**	**440,224**	**472,749**	**859,515**	**277,092**	**977,358**	**4,506,917**
Expenses							
Direct claims paid	439,661	220,256	111,626	189,127	60,873	84,293	1,105,836
Increase in Out. Claims	36,381	51,074	75,163	87,878	55,898	362,523	668,917
Gross Claims Incurred	476,042	271,330	186,789	277,005	116,771	446,816	1,774,753
Reinsurance recovery	(220,790)	(13)	-	-	-	-	(220,803)
Net Claims Incurred	255,252	271,317	186,789	277,005	116,771	446,816	1,553,950
Acquisition costs	241,428	145,525	138,893	252,020	93,934	156,254	1,028,054
Maintenance costs	70,776	20,514	30,060	30,763	20,407	100,609	273,129
Total expenses	**567,456**	**437,356**	**355,742**	**559,788**	**231,112**	**703,679**	**2,855,133**
Underwriting profit	**912,524**	**2,869**	**117,006**	**299,726**	**45,980**	**273,679**	**1,651,784**

45 Claim Development Table

Incremental Chain Ladder

A/Y year/Dev Years	Incremental Development Pattern - Annual Projections in Naira					
	1	2	3	4	5	6
2007	78,869,967	51,047,279	21,990,040	5,148,671	1,109,286	381,846
2008	107,762,458	62,614,158	20,555,501	4,290,720	435,514	-
2009	71,177,029	74,273,777	42,344,042	2,060,804	-	-
2010	56,379,586	75,169,460	12,275,799	-	-	-
2011	64,532,008	83,602,853	-	-	-	-
2012	90,025,098	-	-	-	-	-

This table illustrates that **₦78.87 million** of the claims arising were paid in the first year and **₦51.05 million** during the second year for accidents that occurred in 2008 etc.

Cumulative Data

A/Y year/Dev Years	Cumulative Development Pattern - Annual Projections in Naira					
	1	2	3	4	5	6
2007	78,869,967	129,917,246	151,907,287	157,055,957	158,165,243	158,547,089
2008	107,762,458	170,376,616	190,932,117	195,222,838	195,658,351	196,130,713
2009	71,177,029	145,450,806	187,794,849	189,855,653	190,688,201	191,148,564
2010	56,379,586	131,549,046	143,824,844	146,941,895	147,586,259	147,942,564
2011	64,532,008	148,134,861	173,067,716	176,818,534	177,593,912	178,022,663
2012	90,025,098	172,440,321	201,464,073	205,830,312	206,732,911	207,232,010

We then cumulate the data summing up the claims arising from each accident year until all claims are exhausted. Unwinding the cumulative projections from table above, we expect claims projections to be made till 2017 as follows;

Year of Payment	Amount ₦
2013	111,770,037
2014	33,879,297
2015	5,497,922
2016	1,331,350
2017	499,099
Total	**152,977,705**

We summarize Unearned Premium Reserve (UPR) estimation by class of business below. This was calculated assuming risk will occur evenly over the period of insurance.

Claim Development Table
Unearned Premium Reserve

Class of Business	Gross UPR	Reinsurance UPR	Gross UPR
	₦		₦
Accident	248,905,000		248,905,000
Engineering	99,739,000		99,739,000
Fire	109,545,000		109,545,000
Marine	98,916,000		98,916,000
Motor	360,118,000		360,118,000
Oil & Energy	206,618,000		206,618,000
Total	**1,123,841,000**		**1,123,841,000**

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

Class of Business	Gross Claim Reserve	Estimated Reinsurance Recoveries	Net Outstanding Claims
	₦	₦	₦
Accident	152,977,706	(91,731,152)	61,246,554
Engineering	69,067,160	(28,755,791)	40,311,369
Fire	85,631,578	(59,484,820)	26,146,758
Marine	47,556,457	(30,110,192)	17,446,265
Motor	137,648,075	(4,372,334)	133,275,741
Oil & Energy	649,906,467	(422,603,035)	227,303,432
Total	**1,142,787,443**	**(637,057,324)**	**505,730,119**
Accounts (Outstanding Claims)	(284,241,458)	0	(284,241,458)
Difference	**858,545,985**	**(637,057,324)**	**221,488,661**

Should we allow for discounting, our gross claims reserve will reduce from ₦1.14billion above to ₦1.09billion leading to a net position of₦474.52million as detailed below;

Technical Reserve - Discounted Technical Reserves - Using Basic Chain Ladder Method

Class of Business	Gross Claim Reserve	Estimated Reinsurance Recoveries	Net Outstanding Claims
	₦	₦	₦
Accident	134,958,446	(80,422,472)	54,535,974
Engineering	61,899,685	(25,759,934)	36,139,751
Fire	75,607,549	(51,729,524)	23,878,025
Marine	41,256,502	(27,158,133)	14,098,369
Motor	122,940,548	(4,372,334)	118,568,214
Oil & Energy	649,906,467	(422,603,035)	27,303,432
		-	
Total	**1,086,569,197**	**612,045,432**	**474,523,765**
Accounts (Outstanding Claims)	(284,241,458)		(284,241,458)
Difference	**802,327,739**	**(612,045,432)**	**190,282,307**

We illustrate our estimates of reserve adjusting for inflation.

Claim Development Table
Technical Reserve - Using Inflation Adjusted Chain Ladder Method

Class of Business	Gross UPR	Reinsurance UPR	Gross UPR
Accident	162,924,720	(97,667,739)	65,256,981
Engineering	70,664,484	(29,420,962)	41,243,522
Fire	95,287,506	(66,075,144)	29,212,362
Marine	52,727,410	(30,210,051)	22,517,359
Motor	146,150,738	(4,372,334)	141,778,404
Oil & Energy	649,906,467	(422,603,035)	227,303,432
Total	**1,177,661,325**	**(650,349,265)**	**527,312,060**
Accounts (Outstanding Claims)	(284,241,458)		(284,241,458)
Difference	**893,419,867**	**(650,349,265)**	**243,070,602**

Should we allow for discounting, our gross claims reserve will reduce from ₦1.18billon to ₦1.12billion leading to a net position of ₦492.76 million.

Technical Reserve - Using Inflation Adjusted Chain Ladder Method

Class of Business	Gross Claim Reserve	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	143,187,812	(85,366,896)	57,820,916
Engineering	63,215,162	(26,311,308)	36,903,854
Fire	83,855,720	(57,250,053)	26,605,667
Marine	45,546,720	(27,216,603)	18,330,117
Motor	130,072,171	(4,372,334)	125,699,837
Oil & Energy	649,906,467	(422,603,035)	227,303,432
Total	**1,115,784,052**	**(623,120,229)**	**492,663,823**
Accounts (Outstanding Claims)	(284,241,458)		(284,241,458)
Difference	**831,542,594**	**(623,120,229)**	**208,422,365**

Cumulative Claims Development Pattern

General Accident

A/Y years/Dev Years	Incremental Development Pattern - Annual Projections					
	1	2	3	4	5	6
2007	78,869,967	51,047,279	21,990,040	5,148,671	1,109,286	381,846
2008	107,762,458	62,614,158	20,555,501	4,290,720	435,514	-
2009	71,177,029	74,273,777	42,344,042	2,060,804	-	-
2010	56,379,586	75,169,460	12,275,799	-	-	-
2011	64,532,008	83,602,853	-	-	-	-
2012	90,025,098	-	-	-	-	-

A/Y years/Dev Years	Cumulative Development Pattern - Annual Projections					
	1	**2**	**3**	**4**	**5**	**6**
2007	78,869,967	129,917,246	151,907,287	157,055,957	158,165,243	158,547,089
2008	107,762,458	170,376,616	190,932,117	195,222,838	195,658,351	196,130,713
2009	71,177,029	145,450,806	187,794,849	189,855,653	190,688,201	191,148,564
2010	56,379,586	131,549,046	143,824,844	146,941,895	147,586,259	147,942,564
2011	64,532,008	148,134,861	173,067,716	176,818,534	177,593,912	178,022,663
2012	90,025,098	172,440,321	201,464,073	205,830,312	206,732,911	207,232,010

	Summary of Results			
Years	Latest Paid	Dev to Date	Ultimate	IBNR
2007	158,547,089	100%	158,547,089	-
2008	195,658,351	100%	196,130,713	472,362
2009	189,855,653	99%	191,148,564	1,292,911
2010	143,824,844	97%	147,942,564	4,117,720
2011	148,134,861	83%	178,022,663	29,887,802
2012	90,025,098	43%	207,232,010	117,206,912
Total	926,045,896	86%	1,079,023,603	152,977,707

Claim Development Table

Engineering

A/Y years/Dev Years	Incremental Development Pattern - Annual Projections					
	1	2	3	4	5	6
2007	8,082,745	6,957,871	3,892,275	204,970	-	-
2008	6,219,250	13,465,937	-	-	-	-
2009	4,034,669	6,348,745	423,609	515,843	-	-
2010	14,206,190	26,428,915	1,836,403		-	-
2011	33,164,528	33,090,331	-	-	-	-
2012	41,347,347	-	-	-	-	-

A/Y years/Dev Years	**Cumulative Development Pattern - Annual Projections**					
	1	**2**	**3**	**4**	**5**	**6**
2007	8,082,745	15,040,616	18,932,891	19,137,861	19,137,861	19,137,861
2008	6,219,250	19,685,187	19,685,187	19,685,187	19,685,187	19,685,187
2009	4,034,669	10,383,414	10,807,024	11,322,867	11,322,867	11,322,867
2010	14,206,190	40,635,105	42,471,509	43,090,911	43,090,911	43,090,911
2011	33,164,528	66,254,859	71,008,748	72,044,335	72,044,335	72,044,335
2012	41,347,347	95,647,746	102,510,619	104,005,629	104,005,629	104,005,629

	Summary of Results			
Years	**Latest Paid**	**Dev to Date**	**Ultimate**	**IBNR**
2007	19,137,861	100%	19,137,861	-
2008	19,685,187	100%	19,685,187	-
2009	11,322,867	100%	11,322,867	-
2010	42,471,509	99%	43,090,911	619,402
2011	66,254,859	92%	72,044,335	5,789,476
2012	41,347,347	40%	104,005,629	62,658,282
Total	**200,219,630**	**74%**	**269,286,790**	**69,067,160**

Fire

A/Y years/Dev Years	**Incremental Development Pattern - Annual Projections**					
	1	**2**	**3**	**4**	**5**	**6**
2007	23,547,942	14,920,613	550,888	494,871	408,589	17,831
2008	145,425,768	25,404,409	19,336,744	1,417,513	275,216	-
2009	38,670,607	30,028,785	7,094,934	17,129,532	-	-
2010	48,682,803	170,024,779	14,642,422	-	-	-
2011	40,146,594	87,854,521	-	-	-	-
2012	34,801,342	-	-	-	-	-

Claim Development Table

	Cumulative Development Pattern - Annual Projections					
A/Y years/Dev Years	1	2	3	4	5	6
2007	23,547,942	38,468,555	39,019,443	39,514,314	39,922,903	39,940,734
2008	145,425,768	170,830,177	190,166,921	191,584,434	191,859,650	191,945,342
2009	38,670,607	68,699,392	75,794,326	92,923,858	93,198,813	93,240,439
2010	48,682,803	218,707,582	233,350,004	247,919,553	248,653,129	248,764,188
2011	40,146,594	128,001,115	138,727,879	147,389,558	147,825,673	147,891,698
2012	34,801,342	73,330,736	79,476,007	84,438,208	84,688,054	84,725,879

	Summary of Results			
Years	Latest Paid	Dev to Date	Ultimate	IBNR
2007	39,940,734	100%	39,940,734	-
2008	191,859,650	100%	191,945,342	85,692
2009	92,923,858	100%	93,240,439	316,581
2010	233,350,004	94%	248,764,188	15,414,184
2011	128,001,115	87%	147,891,698	19,890,583
2012	34,801,342	41%	84,725,879	49,924,537
Total	**720,876,703**	**89%**	**806,508,280**	**85,631,577**

Motor

	Incremental Development Pattern - Annual Projections					
A/Y years/Dev Years	1	2	3	4	5	6
2007	161,219,903	116,716,559	4,485,453	311,067	48,547	-
2008	169,900,044	107,835,857	13,186,997	3,384,452	3,404,804	-
2009	181,552,201	146,736,420	15,858,377	800,963	-	-
2010	225,016,084	122,872,249	10,142,714	-	-	-
2011	292,165,155	126,132,960	-	-	-	-
2012	209,065,512	-	-	-	-	-

	Cumulative Development Pattern - Annual Projections					
A/Y years/Dev Years	1	2	3	4	5	6
2007	161,219,903	277,936,462	282,421,915	282,732,982	282,781,529	282,781,529
2008	169,900,044	277,735,901	290,922,898	294,307,350	297,712,154	297,712,154
2009	181,552,201	328,288,621	344,146,998	344,947,961	347,012,334	347,012,334
2010	225,016,084	347,888,333	358,031,047	359,785,701	361,938,871	361,938,871
2011	292,165,155	418,298,115	430,493,632	432,603,413	435,192,368	435,192,368
2012	209,065,512	311,275,327	320,350,586	321,920,573	323,847,136	323,847,136

	Summary of Results			
Years	Latest Paid	Dev to Date	Ultimate	IBNR
2007	282,781,529	100%	282,781,529	-
2008	297,712,154	100%	297,712,154	-
2009	344,947,961	99%	347,012,334	2,064,373
2010	358,031,047	99%	361,938,871	3,907,824
2011	418,298,115	96%	435,192,368	16,894,253
2012	209,065,512	65%	323,847,136	114,781,624
Total	**1,910,836,318**	**93%**	**2,048,484,392**	**137,648,074**

Claim Development Table

Marine

A/Y years/Dev Years	Incremental Development Pattern - Annual Projections					
	1	2	3	4	5	6
2007	12,087,521	28,811,982	7,852,179	59,561	305,938	6,485
2008	647,743	7,468,401	96,966	-	-	-
2009	2,312,416	22,297,229	338,113	6,911,974	-	-
2010	14,527,410	19,225,155	9,547,313	-	-	-
2011	35,171,042	25,573,758	-	-	-	-
2012	30,163,751	-	-	-	-	-

A/Y years/Dev Years	Cumulative Development Pattern - Annual Projections					
	1	2	3	4	5	6
2007	12,087,521	40,899,503	48,751,682	48,811,243	49,117,181	49,123,666
2008	647,743	8,116,144	8,213,110	8,213,110	8,213,110	8,214,194
2009	2,312,416	24,609,645	24,947,758	31,859,732	32,030,661	32,034,890
2010	14,527,410	33,752,565	43,299,878	46,985,108	47,237,185	47,243,422
2011	35,171,042	60,744,800	70,834,007	76,862,652	77,275,024	77,285,227
2012	30,163,751	44,848,129	52,297,031	56,748,005	57,052,460	57,059,993

Years	Summary of Results			
	Latest Paid	Dev to Date	Ultimate	IBNR
2007	49,123,666	100%	49,123,666	-
2008	8,213,110	100%	8,214,194	1,084
2009	31,859,732	99%	32,034,890	175,158
2010	43,299,878	92%	47,243,422	3,943,544
2011	60,744,800	79%	77,285,227	16,540,427
2012	30,163,751	53%	57,059,993	26,896,242
Total	**223,404,937**	**82%**	**270,961,392**	**47,556,455**

46 Management of Insurance Risk and Financial Risk

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

Insurance risk

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

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

Underwriting Process Risk:

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

Mispricing Risk:

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

Individual risk:

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

Claims Risk (for each peril):

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

Concentration risk (including geographical risk):

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

Underwriting Risk Appetite

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

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

environment);

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

UNDERWRITING STRATEGY

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

PRODUCTS AND SERVICES

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

FIRE/EXTRANEOUS PERILS POLICY

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

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

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

CONSEQUENTIAL LOSS POLICY

This type of policy, often referred to as "business interruption insurance" is designed to indemnify the insured against loss of productive capacity or future earning power which may occur as a result of loss or damage to the premises and property insured under the Fire/Extraneous Perils in 1 above.

This policy is normally taken out in conjunction with the Fire Policy so that when the latter pays for the material damage to property insured under it, this will pick up the intangible loss that will flow from the primary loss of the Fire perils. The items usually covered under this policy are as follows:

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

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

BURGLARY/HOUSEBREAKING POLICY

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

FIDELITY GUARANTEE POLICY

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

PUBLIC LIABILITY POLICY

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

MONEY POLICY

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

GOODS IN TRANSIT POLICY

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

GROUP PERSONAL ACCIDENT POLICY

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

MOTOR INSURANCE POLICY

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

MARINE POLICIES

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

AVIATION POLICY

This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a certain limit selected. In order to ensure full protection for our clients, we reinsure as much as 70% of this type of risk in the London Aviation Market through one of our overseas associates.

The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

MACHINERY BREAKDOWN POLICY

This policy is designed to cover any damage to a plant or equipment while working or at rest, or being dismantled for the purpose of cleaning, repairing or overhauling. In the same vein, boiler and pressure vessels can be covered under a separate but similar policy.

ELECTRONIC EQUIPMENT POLICY

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

With payment of an additional premium, this policy can be extended to cover the risk of theft.

ENERGY RISKS

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

Our focus is on the following areas:

Upstream Risks which includes Construction/Erection All Risks, Operators Extra Expense Insurance, Property Insurance and General Third Party Liability Insurance.
Downstream Risks which includes the downstream properties (Refineries and Petrochemical plants, Onshore pipelines, Oil tank farm, Gas processing plants, Pumping and Metering stations, Gas turbines and Boilers, Damage to Asset and other related downstream sector risks.
Power, Solid Mineral and Other special products.

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

APPROACH TO MANAGEMENT OF UNDERWRITING RISKS

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

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

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

The company carries out timely pre-loss inspection/survey exercise of risks, preferably before commencement of cover but not later than 48 hours after commencement of risks.
We limit acceptance of risks to a more convenient value/share while spreading excess through co-insurance or facultative basis.
We ensure application/introduction/review of policy terms and conditions including clauses/warranties that will deal with areas of concern which will at the end of the day make the risk worthy of being in the company's portfolio.

RISK ACCEPTANCE RULES

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

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

ENERGY INSURANCE RISKS

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

MARINE INSURANCE RISKS

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

AVIATION RISKS

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

Approaches to Risk Mitigation

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

a) Risk Termination (Avoidance)

Under the risk termination approach, we will take measures to avoid risks that are outside our risk appetite, not aligned to our strategy or offer rewards that are unattractive when compared to the risk undertaken.

Specifically, we will discontinue activities that generate these risks, such as divesting from certain geographical markets, product lines or businesses. Generally, we will utilise these approach for high-risk events that remain unacceptably high even after we have applied controls.

b) Risk Treatment (Reduction)

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

c) Risk Transfer (Sharing)

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

d) Risk Tolerance (Acceptance)

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

d) Reinsurance Treaty Cover

We have arranged very adequate reinsurance treaties to enable us accommodate risks with high necessary support in the event of large claims. Our treaties are arranged by UAIB RE and placed with a consortium of reputable reinsurance companies.

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

1) Quota share

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

2) Surplus

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

3) Excess of Loss

This arrangement protects the ceding company against a loss where the ceding company's claims liability exceeds its retention.

Concentration of insurance risk

The Company monitors concentrations of insurance risk by product and sector. An analysis of concentrations of insurance risk at 31 December 2012 and 2011 for Gross Premiums written is set out below:

(a) By product	31 Dec.2012	31 Dec.2011
	₦'000	₦'000
Motor business	1,562,672	1,560,463
Fire & Property	878,056	635,083
Marine & Aviation	808,321	621,516
General Accident	1,152,860	1,096,029
C.A.R & Engineering	477,603	411,555
Energy business	2,863,274	2,083,066
	7,742,785	6,407,713

(b) By sector	31 Dec.2012
	₦'000
Energy	4,047,242
Financial Services	721,336
IT/Telecoms & Other Corp.	1,022,662
Manufacturing	570,603
Public Sector	904,549
Retail	476,393
	7,742,785

The Company did not monitor insurance risk by sector as at 31 December 2011.

4 Financial risk management

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

Risk is the level of exposure to opportunity, threat and uncertainty - that should be identified, understood, measured and effectively managed, in the course of executing the Company's business strategies. In terms of opportunity, we see risk in relation to returns in that the greater the risk, the greater the potential return. We therefore manage risk by using several methods to maximize the positive aspects within the constraints of our risk appetite and business environment.
In terms of threat, we see risk as the potential for the occurrence of negative events such as financial loss, fraud, damage to reputation or public image and loss of competitive advantage. We therefore manage risk in this context by introducing risk management techniques to reduce the probability of these negative events occurring without incurring excessive costs or stifling the initiative, innovation, and entrepreneurial flair of our staff.

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

RISK MANAGEMENT PHILOSOPHY AND CULTURE

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

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

Risk Management Strategy

The Company adopts the following strategy for managing risks:
i. Establish a clearly defined risk management process for identifying, measuring, controlling, monitoring and reporting risks.
ii. Entrench and incorporate risk management principles in all functions across the Company
iii. Comprehensive implementation and maintenance of our risk management framework
iv. Ensure good corporate governance practices
v. Board and senior management support to promote sound risk management

vi. Zero tolerance for non-compliance with risk and control procedures
vii. Avoid concentration of risk to any industry, market, sector or individual entity.
viii. Deploy a risk management systems to facilitate the effective management of risks

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

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

At 31 December 2012 (₦000)	**Carrying amount**	**No stated maturity**	**0 - 90 days**	**91 - 180 days**	**180 - 365 days**	**1 - 2 years**	**> 2 years**
Financial assets							
Cash & cash equivalents	1,166,795	-	1,166,795	-	-	-	-
Loans and receivables							
- Trade receivables	1,149,175	-	-	1,149,175	-	-	-
- Loan & receivables	209,113				209,113		
Debt securities	97,731		60,048	-	11,386	1,462	17,310
Equity securities							
- quoted	338,768	338,768	-	-	-	-	-
- unquoted	87,662	87,662	-	-	-	-	-
	3,049,244	**426,430**	**1,226,843**	**1,149,175**	**220,499**	**1,462**	**17,310**
Insurance liabilities							
Outstanding Claims Reserve	1,115,784	-	1,115,784	-	-	-	-
Less assets arising from reinsurance	(623,120)	-	(623,120)	-	-	-	-
	492,664	-	492,664	-	-	-	-

At 31 December 2011 (₦000)	**Carrying amount**	**No stated maturity**	**0 - 90 days**	**91 - 180 days**	**180 - 365 days**	**1 - 2 years**	**> 2 years**
Financial assets							
Cash &cash equivalents	1,406,654	-	1,406,654	-	-	-	-
Loans and receivables							
- Trade receivables	561,045	-	-	561,045	-	-	-
- Loans and receivables	186,682		-	-	186,682		
Debt securities	32,868	-	24,317	-	655	11,310	-
Equity securities							
- quoted	369,471	369,471	-	-	-	-	-
- unquoted	82,720	82,720	-	-	-	-	-
	2,639,440	**452,191**	**1,430,971**	**561,045**	**187,337**	**11,310**	**-**
Insurance liabilities							
Outst. Claims Reserve	1,087,690	-	1,087,690	-	-		
Less assets arising from reinsurance	(502,206)	-	(502,206)	-	-	-	-
	585,484	**-**	**585,484**	**-**	**-**	**-**	**-**

At 31 December 2012 (₦000)	Carrying amount	No stated maturity	0 - 90 days	91 - 180 days	180 - 365 days	1 - 2 years	> 2 years
Financial Assets							
Cash &cash equivalents	484,087	-	484,087	-	-	-	-
Loans and receivables							
- Trade receivables	764,613	-	-	764,613	-	-	-
- Loans and receivables	150,153	-	-	-	150,153	-	-
Debt securities	10,000	-	-	-		10,000	
Equity securities							
- quoted	486,060	486,060	-	-	-	-	-
- unquoted	41,420	41,420	-	-	-	-	-
	1,936,333	527,480	484,087	764,613	150,153	10,000	-
Insurance Liabilities							
Outst. Claims Reserve	472,664	-	472,664	-	-		
Less assets arising from reinsurance	(213,902)	-	(213,902)	-	-	-	-
	258,762	-	258,762	-	-	-	-

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

(a) Sensitivity analysis - interest-rate risk

31 December 2012 (N'000)

Assets	Carrying amount	Fixed	Floating rate	Non-interest bearing
Cash and cash equivalents	1,166,795	921,287	-	245,509
Trade receivables	1,149,175	-	-	1,149,175
Loans and receivables	209,113	209,113	-	-
Reinsurance assets	623,120	-	-	623,120
Debt securities	97,731	97,731	-	-
	3,245,934	**1,228,131**	**-**	**2,017,804**
Liabilities				
Non-life insurance liability	2,239,625	-	-	2,239,625
Trade creditors & other liabilities	292,701	11,006	-	281,695
Debt security in issue	1,007,775	1,007,775	-	-
	3,540,101	**1,018,781**	**-**	**2,521,320**

31 December 2011 (₦'000)

Assets	Carrying amount	Fixed rate	Floating rate	Non-interest bearing
Cash and cash equivalents	1,406,654	1,147,370	-	259,284
Trade receivables	561,045	-	-	561,045
Loans and receivables	186,682	186,682	-	-
Reinsurance assets	502,206	-	-	502,206
Debt securities	32,868	32,868	-	-
	2,689,455	**1,366,920**	**-**	**1,322,535**
Liabilities				
Non-life insurance liability	1,970,948	-	-	1,970,948
Trade creditors & other liabilities	236,021	22,374	-	213,647
Debt security in issue	1,441,028	1,441,028	-	-
	3,647,997	**1,463,402**	**-**	**2,184,595**

31 December 2010 (₦'000)

	Carrying amount	Fixed rate	Floating rate	Non-interest bearing
Assets				
Cash and cash equivalents	484,087	280,070	-	204,017
Trade receivables	764,613	-	-	764,613
Loans and receivables	150,153	150,153	-	-
Reinsurance assets	213,902	-	-	213,902
Debt securities	10,000	10,000	-	
	1,622,755	**440,223**	**-**	**1,182,532**
Liabilities				
Non-life insurance liability	1,121,495	-	-	1,121,495
Trade creditors & other liabilities	184,492	10,050	-	184,492
Debt security in issue	1,441,028	1,441,028	-	-
	2,747,015	1,451,078	-	1,305,987

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

(b) Sensitivity analysis - equity risk

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.
Management monitors movements of financial assets and equity price risk movements by assessing the expected changes in the different portfolios due to parallel movements of a 10% increase or decrease in the Nigeria All share index with all other variables held constant and all the Company’s equity instruments in that particular index moving proportionally.

Management of Insurance Risk and Financial Risk (Cont'd)

As at 31 December 2012, the market value of quoted securities held by the Company is ₦ 334 million (2011: ₦ 369 million). If the all share index of the NSE moves by 100 basis points at 31 December 2012, the effect on profit or loss would have been ₦ 3.3 million (2011: ₦ 3.6 million).

The Company holds a number of investments in unquoted securities with a market value of ₦ 88 million as at 31 December 2012 (2011: ₦ 83 million) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at ₦ 73 million (cost ₦ 73 million) (2011: ₦ 76 million, cost ₦ 73 million) as at 31 December 2012. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

(c) Sensitivity analysis - currency risk

31 December 2012 (N'000)

Assets	**Naira**	**USD**	**Yen**	**Total**
		-		
Cash and bank balances	868,595	298,200	-	1,166,795
Insurance receivables	1,149,175	-	-	1,149,175
Loan and Receivables	209,113	-	-	209,113
Reinsurance assets	623,120	-	-	623,120
Investment securities	446,804	72,758	-	519,563
	3,296,807	**370,958**	**-**	**3,667,766**
Liabilities				
Non-life insurance liability	2,239,625	-	-	2,239,625
Trade creditors & other liabilities	292,701	-	-	292,701
Debt security in issue	-	-	1,007,775	1,007,775
	2,532,326	**-**	**1,007,775**	**3,540,101**

31 December 2011 (N'000)

Assets	**Naira**	**USD**	**Yen**	**Total**
Cash and bank balances	1,406,226	428	-	1,406,654
Trade receivables	561,045	-	-	561,045
Loans & Receivables	186,682	-	-	186,682
Reinsurance assets	502,206	-	-	502,206
Investment securities	408,943	76,117	-	485,060
	3,065,102	**76,545**	**-**	**3,141,647**
Liabilities				
Non-life insurance liability	1,970,948	-	-	1,970,948
Trade creditors & other payables	236,021	-	-	236,021
Debt security in issue	-	-	1,523,877	1,523,877
	2,206,969	**-**	**1,523,877**	**3,730,846**

31 December 2010 (N'000)

Assets	**Naira**	**USD**	**Yen**	**Total**
Cash and bank balances	422,057	62,030	-	484,087
Trade receivables	764,613	-	-	764,613
Loans and receivables	150,153	-	-	150,153
Reinsurance assets	213,902	-	-	213,902
Investment securities	560,663	34,817	-	595,480
	2,111,388	**96,847**	**-**	**2,208,235**
Liabilities				
Non-life insurance liability	1,121,495	-	-	1,121,495
Trade creditors & other liabilities	184,492	-	-	184,492
Debt security in issue	-	-	1,441,028	1,441,028
	1,305,987	**-**	**1,441,028**	**2,747,015**

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

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

	2012	2011	2010
Effect of 10% movement on profit before tax and financial position size (₦'000)	100,778	152,388	144,103

Credit Risk

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

The overdue premiums are considered by the Company on case by case basis. If an overdue premium is recognised by the Company as uncollectible, a notification is sent to the policyholder and the insurance agreement is cancelled from the date of notification. The premium related to the period from the beginning of insurance cover until the date of cancellation of the insurance agreement is considered a bad debt, and further steps right up to legal actions are planned with regard to that bad debt.

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

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

STI is exposed to the following categories of credit risk.

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

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

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

Credit Risk Principles

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

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;

- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by the Board;
- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and that credit control procedures for managing large exposures and related counterparties are adhered to;
- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the Company;
- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;
- Sufficient capital as a buffer is available to take credit risk;

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

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

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

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

	Maximum exposure		
	31 December 2012 ₦'000	31 December 2011 ₦'000	31 December 2010 ₦'000
Cash and bank balances	**1,166,795**	1,406,654	484,087
Loans and receivables			
- Trade receivables	**1,149,175**	561,045	764,613
- Loans & receivables	**209,113**	186,682	150,153
Reinsurance assets	**623,120**	502,206	213,902
Debt securities	**97,731**	32,868	10,000
Total assets bearing credit risk	**3,245,934**	2,689,455	1,622,755

Concentration of credit risk

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

(a) Geographical sectors

At 31 December 2012 (₦'000)	Insurance receivables	Total
Lagos	2,968,371	2,968,371
West	123,682	123,682
North	700,865	700,865
East	329,819	329,819
	4,122,737	4,122,737

At 31 December 2011 (₦'000)	Insurance receivables	Total
Lagos	2,655,303	2,655,303
West	115,022	115,022
North	625,065	625,065
East	305,043	305,043
	3,700,433	3,700,433

At 31 December 2010 (₦'000)	Insurance receivables	Total
Lagos	2,259,008	2,259,008
West	153,158	153,158
North	138,112	138,112
East	241,014	241,014
	2,791,292	2,791,292

Management of Insurance Risk and Financial Risk (Cont'd)

Credit quality

31 December 2012 (N'000)	AAA	AA	A	BBB	Below BBB	Notrated	Total
Debt securities	-	-	97,731	-	-	-	97,731
Reinsurance assets						623,120	623,120
Loans &receivables						209,113	209,113
Cash & cash equivalent						1,166,795	1,166,795
	-	**-**	**97,731**	**-**	**-**	**1,999,028**	**2,096,759**

	Category A	Category B	Category C	Not categ	Total
Trade receivables	1,149,175	-	-	-	1,149,175

31 December 2011 (N'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities	-	-	32,868	-	-	-	32,868
Reinsurance assets						502,206	502,206
Loans &receivables						186,682	186,682
Cash and bank balances						1,406,654	1,406,654
	-	**-**	**32,868**	**-**	**-**	**2,095,542**	**2,128,410**

	Category A	Category B	Category C	Not categorised	Total
Insurance receivables	561,045	-	-	-	561,045

31 December 2010 (N'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities	-	-	10,000	-	-	-	10,000
Reinsurance assets						213,902	213,902
Loans &receivables						150,153	150,153
Cash and bank balances						484,087	484,087
	-	**-**	**10,000**	**-**	**-**	**848,142**	**858,142**

	Category A	Category B	Category C	Not categ	Total
Insurance receivables	764,613				764,613

Liquidity Risk

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

Sources of Liquidity Risk

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

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

Liquidity Risk Management Strategy

The Company's strategy for managing liquidity risks are as follows:
Maintain a good and optimum balance between having sufficient stock of liquid assets, profitability and investment needs;

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

Liquidity Risk Appetite/Tolerance

Our liquidity risk appetite is defined using the following parameters:

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

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

Notes to the Financial Statements (Cont'd)

	Carrying amount (₦)	0-1 years	1-3 years	3-5 years	> 5 years	Total
	Payments due by period as of 31 December 2012					
Debt security in issue	1,007,774				1,007,774	1,007,774
Trade & other liabilities	292,701	292,701	-	-	-	292,701
	1,300,475	**292,701**	-	-	1,007,774	**1,300,475**

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
	Payments due by period as of 31 December 2011					
Debt security in issue	1,523,877	-	-	-	1,523,877	1,523,877
Other liabilities	236,021	236,021	-	-	-	236,021
	1,759,898	**236,021**	**-**	**-**	1,523,877	**1,759,898**

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
	Payments due by period as of 31 December 2010					
Debt security in issue	1,441,028	-	-	-	1,441,028	1,441,028
Other liabilities	184,492	184,492	-	-	-	184,492
	1,625,520	**184,492**	-	-	1,441,028	**1,625,520**

32.3 Fair value of financial assets and liabilities

(a) Financial Instrument not measured at fair value

	At 31 December 2012		At 31 December 2011	
	Carrying Value (₦) ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value N'000
Financial assets				
Cash and bank balances	1,166,795	1,166,795	1,406,654	1,406,654
Investment securities				
- Debt securities	20,000	20,000	10,000	20,000
Insurance receivables	2,666,195	2,666,195	2,364,581	2,364,581
Other loans and receivables	237,701	237,701	401,910	401,910
	4,090,691	**4,090,691**	**4,183,145**	**4,183,145**
Financial liabilities				
Convertible bond	1,007,775	1,007,775	1,523,877	1,523,877
Other liabilities	292,701	292,701	236,021	236,021
	1,300,476	**1,300,476**	**1,759,898**	1,759,898

	At 1 January 2011 Carrying value N'000	Fair value N'000
Financial Assets		
Cash and cash equivalent	484,087	484,087
Investment securities		
Debt securities	10,000	10,000
Insurance receivables	1,819,175	1,819,175
Other loans and receivables	301,451	301,451
	2,614,713	2,614,713
Financial liabilities		
Convertible bond	1,441,028	1,441,028
Other liabilities	186,482	186,482
	1,627,510	1,627,510

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

At 31 December 2012 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	333,768	-	-	333,768
Unquoted equity investments	-	72,758	14,903	87,662
Debt securities	77,731			77,731
	411,499	72,758	14,903	499,161

At 31 December 2011 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	369,471	-	-	369,471
Unquoted equity investments	-	76,117	6,604	82,721
Debt securities	22,868	-	-	22,868
	392,339	76,117	6,604	475,060

Management of Insurance Risk and Financial Risk (Cont'd)

At 31 December 2010 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	486,060	-	-	486,060
Unquoted equity investments	-	34,817	6,604	41,420
	486,060	34,817	6,604	527,480

Reconciliation of Level 3 items	**31 Dec. 2012 ₦'000**	31 Dec. 2011 ₦'000
At beginning of period	**6,604**	6,604
Total gains / (losses)	**-**	-
Purchases	**8,299**	-
Sales	**-**	-
Issues	**-**	-
Settlements	**-**	-
At end of period	**14,903**	6,604

There were no gains or losses for the period included in profit or loss arising from Level 3 items.
Sensitivity analysis of Level 3 items.
The following table shows the sensitivity of level 3 measurements to reasonably possible alternative assumptions.

	At 31 December 2012		**At 31 December 2011**	
	Favorable changes ₦'000	**Unfavorable** changes ₦'000	**Favorable** changes ₦'000	**Unfavorable** changes ₦'000
Unquoted equity investments	280	(280)	280	(280)

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

(c) Fair valuation methods and assumptions
(i) Cash and bank balances

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

(ii) Equity Securities

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

(iii) Debt Securities

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

(iv) Other Assets

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

47 Capital Management Policies

Capital Management

The company's objectives with respect to capital management are to maintain a capital base that is designed to satisfy regulatory requirement and optimize capital allocations.

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

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

The Company's objectives when managing capital are as follows:
1.To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;
2.To generate sufficient capital to support the Company's overall business strategy;
3.To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board;
4.To ensure that the average return on capital over a 3 -5 years performance cycle is sufficient to satisfy the expectations of investors;
5.To maintain a strong risk rating;
6.To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital;
7.To determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses (i.e. capital allocation);
8.To establish the efficiency of capital utilization.

Minimum Capital Requirement

The Company complied with the minimum capital requirement of N3 billion for non-life operations. This is shown under Shareholders' Fund in the Statement of Financial Position.

Solvency Margin

Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model. NAICOM generally expect non-life insurers to comply with this capital adequacy requirement.

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

This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. The company experienced a shortfall in its solvency margin for the year ended 31st December, 2012.

In order to continually meet the company's obligation to policy holders, the company has taken concrete steps towards attracting potential investors as shareholders to boost her capital base. It is expected that the capital injection initiatives will soon crystallize and would address the solvency margin concerns.

In addition, the sum of ₦ 960,630,361.68 was recovered from premium debt which had not been considered in the solvency computation.

Solvency Margin

		2012	
ADMISSIBLE ASSETS		**₦'000**	**₦'000**
Cash and cash equivalents			1,166,795
Financial Assets			917,287
Statutory Deposits			315,000
Investment Properties			1,053,030
Reinsurance Assets			1,322,312
Debtors & Prepayments			95,421
Deferred Acquisition Cost			541,467
Property & Equipment			552,747
	A		5,964,059
ADMISSIBLE LIABILITIES			
Insurance Liabilities		2,239,625	
Debt Securities		1,007,775	
Premium Creditors		250,559	
Other Payables & Accruals		42,140	
Taxation		162,689	
Retirement Benefit Obligations		271,641	
	B		(3,974,430)
Actual Solvency (A - B)	C		1,989,629
Net Premium			4,620,455
Solvency Margin			
Limit of Net premium i.e. 15% of Net Premium			693,068
Minimum of paid up Capital -	D		3,000,000
Insolvency margin	(C-D)		(1,010,371)
Percentage of insolvency			(34)

48 Transition to IFRS
Explanation of transition to IFRS

As stated in note 3.1, these are the Company's first financial statements prepared in accordance with IFRS. The Company has applied IFRS 1 in preparing these financial statements and the accounting policies set out on note 18 have been applied in preparing the financial statements for the period ended 31 December 2012, the comparative information presented in these financial statements for the period ended 31 December 2011, and in the preparation of an opening IFRS balance sheet at 1 January 2011 (the date of the Company's transition to IFRS).

In preparing its opening IFRS Statement of Financial Position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ("Nigerian GAAP"). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the tables and the notes below.

The most significant IFRS impact for the Company resulted from the implementation of IFRS 4 Insurance contracts. The objective of IFRS 4 is to specify the financial reporting for insurance contracts by an entity that issues such contracts until the IASB completes the second phase of its project on insurance contracts. The implication of this is that an insurer adopting IFRS for the first time can continue to use their existing accounting policies to recognize and measure assets and liabilities arising from the issuance of insurance contracts, provided existing policies meet certain minimum requirements set out in IFRS 4. The most significant of these requirements relates to the performance of a liability adequacy test.

RECONCILIATION OF EQUITY AS AT 31 DECEMBER, 2011

	Note	N-GAAP	Reclassification	Remeasurement	IFRS
ASSETS		₦'000	₦'000	₦'000	₦'000
Cash and bank balances	A	259,284	(259,284)		-
Cash and cash equivalents	i (A,B)		1,431,579		1,431,579
Short term investments	B	1,771,713	(1,771,713)		-
Financial assets:					-
-Available for sale	ii (F,B)		635,106	(49,968)	585,138
-Fair value through profit & loss	iii (F)		369,471		369,471
-Held to maturity	iv (F)		10,000		10,000
-Loans and Receivables	v (E,B)		165,625	21,057	186,682
Premium Debtors	C	1,998,412	(1,998,412)		-
Trade Receivables	vi (C,E)		2,083,920	(1,522,875)	561,045
Reinsurance Assets	vii (D,E)	-	629,787	221,545	851,332
Deferred acquisition cost		266,962			266,962
Deferred reinsurer cost	D	349,126	(349,126)		-
Other debtors & Prepayment	E	532,364	(532,364)		-
Other Receivable & Prepayments	viii (E)		97,570	(12,893)	84,677
Long term investments	F	512,159	(512,159)		-
Investment properties	ix	722,060		138,251	860,311
Fixed Assets	G	583,310	(583,310)		-
Property and equipment	x (G)		583,310		583,310
Statutory Deposit		315,000			315,000
Total assets		**7,310,390**	**-**	**(1,204,883)**	**6,105,507**
LIABILITIES					
Insurance Fund	I	938,874	(938,874)		-
Insurance contract liabilities	xi (I)		938,874	1,032,074	1,970,948
Convertible Bond	J	733,205	(733,205)		-
Debt securities in issue	xii (J)		733,205	790,672	1,523,877
Creditors & Accruals	H	260,943	(260,943)		-
Trade payables	xiii (H)		171,892		171,892
Other payables and accruals	xiv (H)		64,126		64,126
Book overdraft	xv (H)		24,925		24,925
Retirement benefit obligations	xvi	36,412		193,239	229,651
Taxation		83,475			83,475
Deferred tax liability	xvii	126,830		(68,895)	57,935
Total liabilities		**2,179,739**	**-**	**1,947,090**	**4,126,833**
EQUITY					
Issued share capital		3,435,879			3,435,879
Share premium	xviii (U)	191,943	(46,180)		145,763
Contingency reserve		960,138			960,138
General reserve	L	501,612	(501,612)		-
Retained earnings	xix,(K,L,U)		588,870	(3,154,870)	(2,566,000)
Fair value reserve	xx	-		2,898	2,898
Fixed asset revaluation reserve	K	41,078	(41,078)		-
					-
Total equity		**5,130,650**	**-**	**(3,151,972)**	**1,978,675**
Total equity and liabilities		**7,310,389**	**-**	**(1,204,882)**	**6,105,507**

RECONCILIATION OF EQUITY AS AT 1 JANUARY, 2011

ASSETS	Note	N-GAAP ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS ₦'000
Cash and bank balances	A	200,457	(200,457)		-
Cash and cash equivalents	i (A,B)		507,609		507,609
Short term investments	B	706,605	(706,605)		-
Financial assets					-
-Available-for-sale	ii (F,B)	-	425,860	(47,640)	378,220
-Fair value through profit or loss	iii (F)	-	486,060		486,060
-Held to maturity	iv (F)	-	10,000		10,000
-Loans and Receivables	v (E,B)		133,341	16,812	150,153
Premium Debtors	C	1,819,175	(1,819,175)		-
Trade Receivables	vi (C,E)		1,657,658	(893,045)	764,613
Reinsurance Assets	vii (D,E)		457,566	52,385	509,951
Deferred acquisition cost		287,203			287,203
Deferred reinsurer assets	D	296,049	(296,049)		-
Other debtors and prepayments	E	127,942	(127,942)		-
other Receivables & prepayments	viii (E)		57,255	(9,579)	47,676
Long term investments	F	585,121	(585,121)		-
Investment properties	ix	800,264		64,510	864,774
Fixed assets	G	517,123	(517,123)		-
Property and equipment	x (G)		517,123		517,123
Statutory deposits		315,000			315,000
Total assets		**5,654,939**	**-**	**(816,557)**	**4,838,381**
LIABILITIES					
Insurance Fund	I	721,691	(721,691)		-
Insurance contract liabilities	xi (I)		721,691	399,804	1,121,495
Convertible Bond	J	808,542	(808,542)		-
Debt securities in issue	xii (J)		808,542	632,486	1,441,028
Creditors & Accruals	H	210,003	(210,003)		-
Trade payables	xiii (H)		140,883		140,883
Other payables & accruals	xiv (H)		43,609		43,609
Book overdraft	xv (H)		23,522		23,522
Retirement benefit obligations	xvi	-	1,989		1,989
Taxation		54,885	54,885		
Deferred tax liability	xvii	111,168			111,168
Total liabilities		1,906,289	-	1,032,290	2,938,581
EQUITY					
Issued share capital		2,601,879			2,601,879
Share premium	xviii, (U)	191,943			191,943
Contingency reserve		767,908			767,908
General reserve	L	145,842	(145,842)		-
Retained earnings	xix (L,K)		175,360	(1,854,072)	(1,678,712)
Fair value reserve	xx	-	11,560	5,225	16,785
Fixed asset revaluation reserve	K	41,078	(41,078)		-
Total equity		3,748,650	-	(1,848,847)	1,899,800
Total equity and liabilities		5,654,939	-	(816,557)	4,838,381

Reconciliation of comprehensive income for the year ended 31 December 2011

	Note	N-GAAP ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS ₦'000
Gross premium written		6,407,713	-		6,407,713
(Increase) in unerned premium		(234,428)	-		(234,428)
Gross premium income		6,173,285			6,173,285
Reinsurance expenses	xxi	(1,941,995)		(5,537)	(1,947,532)
Net premium earned		4,231,290			4,225,753
Fee and commission received		281,164	-		281,164
Net underwriting income		4,512,454			4,506,917
Claim expenses	xxii (O,P,Q)		1,096,377	457,573	1,553,950
Underwriting expenses	xxiii (R,S)		1,301,183		1,301,183
Direct claims paid	O	1,105,836	(1,105,836)		-
Increase in claims reserve	P	36,648	(36,648)		-
Gross claims incurred		1,142,484	1,255,076		-
Reinsurance recovery	Q	(46,107)	46,107		-
Net claims incurred		1,096,377			-
Acquisition costs	R	1,028,055	(1,028,055)		-
Maintenance costs	S	273,128	(273,128)		-
Total expenses		2,397,560			2,855,133
Underwriting income		2,114,894			1,651,784
Investment and other income	M	439,512	(439,512)		-
Investment income	xxiv (M,N)		170,776		170,776
Net gains/(losses) on investment securities	xxx		11,560		11,560
Other income	xxv (M)		273,230		273,230
Bad debt recovered		119,730	-		119,730
Foreign exchange difference	xxvi	(67)	(92,278)		(92,345)
Impairment for trade receivable	xxviii	(483,465)	-	(629,830)	(1,113,295)
-					
Management expenses	T	(1,272,826)	(196,553)		(1,469,379)
Capital raising expenses	U	(46,180)	46,180		-
Investments written off	N	(73,492)	73,492		-
		798,106			(447,939)
Finance cost	xxvii		(65,908)		(65,908)
Profit before taxation		798,106			(513,847)
Taxation provision	xxix	(93,992)		68,895	(25,097)
Profit after taxation		704,114			(538,943)
Other comprehensive income					
Net gains/(losses) on available for sale financial assets		-			
- Unrealised net gains/(losses) arising during the period	xxx	-		(2,327)	(2,327)
- Net reclassification adjustment for realised net losses	xxx	-		(11,560)	(11,560)
Total other comprehensive income		-			**(13,887)**
Total comprehensive income for the year		**704,114**			**(552,830)**

Breakdown of Reclassification & Remeasurement of financial statements

	2011 ₦'000	2010 ₦'000
A Cash and Bank Balance		
As per NGAAP	259,284	200,457
Transfer to Cash & Cash Equivalent	(259,284)	(200,457)
	-	-

Cash and bank balance of N259,284,000 (2011: N200, 457,000) under NGAAP were reclassified to Cash and Cash equivalent.

	2011 ₦'000	2010 ₦'000
B Short term Investments		
As per NGAAP	1,771,713	706,605
Transfer to Cash & Cash Equivalent	(1,172,295)	(307,152)
Transfer to Available for Sale	(502,418)	(336,799)
Transfer to loans & receivables	(97,000)	(62,654)
	-	-

Under NGAAP fixed deposits of N1,771,713,000 (2011: N706,605,000) that were treated as short term investments have been reclassified to either cash and cash equivalent or available for sale based on tenor. Tenor of 0-90 days were reclassified to cash and cash equivalents while those with tenor of 91 days above were reclassified as Available for Sale.

C Premium Debtors		
As per NGAAP	1,998,412	1,819,175
Transfer to Reinsurance Assets	-	(161,517)
Transfer to Trade Receivable	(1,998,412)	(1,657,658)
	-	-

The sum of N1,998,412,000 (2010: N1,819,175,000) classified as premium debtors under NGAAP have been reclassified to trade receivable under IFRS. Amount due from re-insurers of N161,517,000 (2010)was also reclassified from premium debtors to re-insurance assets.

	2011	2010
D Deferred reinsurer cost	₦'000	N'000
As per NGAAP	349,126	296,049
Transfer to Reinsurance Assets	(349,126)	(296,049)
	-	-

Deferred re-insurance cost of =N=349,126,000 is reclassified from NGAAP to Reinsurance assets.

	2011	2010
E Other debtors & Prepayment	₦'000	₦'000
As per NGAAP	532,364	127,942
Transfer to Trade Receivable	(85,508)	-
Transfer to Reinsurance Assets	(280,661)	-
Transfer to Loans & Receivable	(68,625)	(70,687)
Transfer to Other Receivable & Prepayments	(97,570)	(57,255)
	-	-

Breakdown of Reclassification & Remeasurement of financial statements

The sum of =N=532,364,000 classified as other debtors and prepayments in NGAAP is reclassified as follows:

(=N=85,508,000 representing amount due from insurance companies in NGAAP reclassified to trade receivable in IFRS, =N=280,661,000 representing amount due from re-insurers to reinsurance assets,N68,625,000,represents the mortgage loans and N97,570,000 which is the combination of staff loans and prepayment was reclassified to other receivable and prepayments under IFRS

		2011	2010
F	**Long term Investments**	**₦'000**	₦'000
	As per NGAAP	**512,159**	585,121
	Transfer to Held to Maturity	**(10,000)**	(10,000)
	Transfer to fair value through profit or Loss Financial Assets	**(369,471)**	(486,060)
	Transfer to available for Sale	**(132,688)**	(89,061)
		-	-

Long term investments of N512,159,000 consist of N10, 000,000 state bond which was reclassified to held to maturity under IFRS, N369,471,000 represents investment in quoted shares which had been reclassified to at fair value through profit or loss and N132,688,000 is investment in unquoted shares which was reclassified to available for sale.

		2011	2010
G	**Fixed Assets**	**₦'000**	₦'000
	As per NGAAP	**583,310**	517,123
	Transfer to property & equipment	**(583,310)**	(517,123)
		-	-

Fixed Assets of =N=583,310,000 is classified from NGAAP to property & equipment.

		2011	2010
H	**Creditors & Accruals**	**₦'000**	₦'000
	As per NGAAP	**260,943**	210,003
	Transfer to Trade payable	**(171,892)**	(140,883)
	Transfer to other payables and accruals	**(64,126)**	(43,609)
	Transfer to book overdraft	**(24,925)**	(23,522)
	Transfer to retirement benefit obligation	**-**	(1,989)
		-	-

Creditors and accrual of **₦260,943,000** under NGAAP was reclassified as follows:

₦171,892,000 represent balance due to reinsurance companies and due to insurance companies under NGAAP and was reclassified to trade payables under IFRS, **₦64,126,000** which combination of lease and sundry creditors were reclassified to other payables and accruals, and **₦24,925,000** represents bank ledger with credit balance which was reclassified to book overdraft.

Breakdown of Reclassification & Remeasurement Financial Statements

		2011	2010
I	**Insurance Fund**	**₦'000**	₦'000
	As per NGAAP	**938,874**	721,691
	Transfer to Insurance Contract Liabilities	**(938,874)**	(721,691)
		-	-

Insurance fund of =N=938,874,000 is classified from NGAAP to insurance contract liabilities.

		2011	2010
J	**Convertible Bond**		
	As per NGAAP	**733,205**	808,542
	Transfer to Debt securities in issue	**(733,205)**	(808,542)
		-	-

Convertible bond of N733,205,000 under NGAAP was reclassified to debt securities in issue in IFRS

		2011	2010
K	**Fixed Assets Revaluation**		
	As Per NGAAP	**41,078**	41,078
	Transferred to retained earnings	**(41,078)**	(41,078)
		-	-

		2011	2010
L	**General Reserve**		
	As Per NGAAP	**501,612**	145,842
	Transfer to retained earnings	**(501,612)**	(145,842)
		-	-

General reserve of N501,612,000 under NGAAP was reclassified to retained earnings in IFRS

M	**Investment and other income**	
	As per NGAAP	**439,512**
	Transfer to other operating income	**(199,489)**
	Transfer to investment income	**(240,023)**
		-

Investment and other income of N439,512,000 was reclassified as follows:

N	**Movement in the value of investments**	
	Per NGAAP	**73,492**
	Transfer to investment income	**(73,492)**
		-

Breakdown of Reclassification & Remeasurement of Financial Statements

O Direct claim Paid

As per NGAAP	**1,105,836**
Transfer to Claim expenses	**(1,105,836)**
	-

Direct claim paid of N1,105,836,000 under NGAAP was reclassified to claim expenses in IFRS financial statements.

P Increase Claim reserve

As per NGAAP	**36,648**
Transfer to Claim expenses	**(36,648)**
	-

Increase in claim reserve of N36,648,000 in NGAAP financial statements was reclassified to claim expenses in IFRS financial statements.

Q Reinsurance recovery

As per NGAAP	**(46,107)**
Transfer to Claim expenses	**46,107**
	-

Reinsurance recovery of N46,107,000 in NGAAP was reclassified to claim expenses in IFRS financial statement.

R Acquisition Cost

As per NGAAP	**1,028,055**
Transfer to underwriting expenses	**(1,028,055)**
	-

Acquisition cost of N1,028,055,000 which represents commission paid reclassified to underwriting expenses under IFRS financial statements.

S Maintenance Cost

As per NGAAP	**273,128**
Transfer to underwriting expenses	**(273,128)**
	-

Maintenance cost of N273,128,000 under NGAAP was reclassified to maintenance cost in IFRS financial statements.

T Management expenses

As per NGAAP	**1,272,826**
Amortisation of employee benefit cost	**3,314**
Post service Cost	**193,239**
As per IFRS	**1,469,379**

N3,314, 000 was amortised from prepayment for employee benefit and additional provision of N193,239,000 as post service cost were added to management expenses.

U Share premium

As per NGAAP	**191,943**	191,943
Transfer from capital raising expenses (retained earnings)	**(46,180)**	-
	145,763	191,943

Breakdown of reclassification and remeasurement in Financial Statements

	2011	2010
i Cash and cash equivalents	₦'000	₦'000
Transfer from Cash & Bank	259,284	200,457
Transfer from Short term Investments	1,172,295	307,152
	1,431,579	507,609

Cash and cash equivalents represent N259, 284,000 transfered from cash and bank in NGAAP and N1, 172,295,000 being fixed placements with tenor of not more than 90 days transferred from short term investments.

ii Available for Sale		
Transfer from Long term Investment	132,688	89,061
Transfer from Short term Investment	502,418	336,799
Unrealized gain from available for sale	2,898	5,225
Impairment of unquoted investments	(52,865)	(52,865)
	585,138	378,219

Adoption of IFRS resulted in a net impairment of N49, 968,000 (2010: N47, 640,000). The impairment arose from available for sale investments that were carried at cost under NGAAP. Under IFRS these investments are supposed to be fair valued. These investments were unquoted hence there was no market based evidence of fair value. The net assets method was used to determine the portion of equity of the investee held by the Company. The investees had negative equity hence the investments were impaired to Nil

	2011	2010
iii Fair Value Through Profit & Loss	₦'000	₦'000
Transfer from Long term Investments	369,471	486,060
	369,471	486,060

This represents investments in quoted shares which were reclassified from long-term investment to fair value through profit or loss under IFRS financial statements.

iv Held to Maturity		
Transfer from Long term Investments (State Bond)	10,000	10,000

N10, 000,000 reclassified from long-term investment represent investment in state government bond. This was reclassified to hold to maturity in financial assets under IFRS financial statements.

	2011	2010
v Loans and Receivables	₦'000	₦'000
Transfer from other debtors & prepayments	68,625	70,687
Transfer from short term investments	97,000	62,654
Reversal of interest earlier recognised on mortgage loan	(1,652)	(1,652)
Short fall in mortgage interest	22,709	18,464
	186,682	150,153

Net value gain of N21, 057,000 in 2011 (2010: N16, 812,000) arose from the process of accounting for mortgage loans extended to staff members at below market rates. The loans were extended at 6% while the market rate for similar instrument was 12%. The present value of loans at the origination date amounted to N56million, while the nominal amounts disbursed was N91million. The difference of N34million was treated as prepaid employee benefits to the employees which would be amortised to the income statements as the employees provided services during the mortgage loan terms. This resulted in the following entries being passed:

Breakdown of reclassification and remeasurement in Financial Statements

The prepaid benefit was reduced by N12,093,000 as at 31 /12 /2012, which was the amount of the prepaid benefit amortised cumulatively from the loan origination date to the end of the reporting period.
The cumulative increase in interest on staff loans income of N21,057,000 arose from the recognition of interest income at the market rate of 12% on the staff loans fair values on inception date and balances at each reporting date less the interest income that had been recognized on the nominal amounts disbursed at the inception of each loan and the closing balances at each reporting date at the nominal interest rate of 6%.

	2011	2010
vi Trade Receivables	**₦'000**	₦'000
Transfer from premium debtors	**1,998,412**	1,657,658
Transfer from other debtors & prepayment	**85,508**	-
Provision for impairment	**(1,522,875)**	(893,045)
	561,045	764,613

The increase in the provision was due to the determination of the same using different basis under NGAAP and IFRS . Under NGAAP the provision was lower as management assessed debtors outstanding for 90 days and below as fully performing while 50% was provided for on debtors outstanding from 90 to 180 days and trade debtors outstanding for over 180 days were provided in full. This was contrary to the provision under IFRS where two categories of debtors were provided for , and these were :

Doubtful trade receivables for which insurance brokers and clients failed to meet their premium obligations when due and the policies on which the premiums were due had expired or had been cancelled

Uncollectable trade receivables being those on which the policies had been cancelled or expired and were long outstanding, i.e for more than 365 days.

	2011	2010
vii Reinsurance Assets	**₦'000**	₦'000
Transfer from premium debtors	**-**	161,517
Transfer from deferred reinsurance assets	**349,126**	296,049
Transfer from other debtors & prepayment	**280,661**	-
Remeasurement adjustment (Actuarial Report)	**221,545**	52,385
	851,332	509,951

N221,545,000 (2010: N52,385,000) represents adjustment in recovery as a result of actuarial valuation report. In 2011 re insurance assets of N161,517,000 was reclassified from premium debtors while reinsurance assets of N280,661,000 in 2012 was reclassified from other debtors and prepayments.

Breakdown of reclassification and remeasurement in financial statements

	2011	2010
viii Other Receivable & prepayments	**₦'000**	₦'000
Transfer from other debtors & prepayments	**97,570**	57,255
Adjustment to prepayment (retained earnings)	**(9,579)**	(9,579)
Amount expensed on prepayment	**(3,314)**	
	84,677	47,676

The impairment loss of ₦3,314,000 arose from the amortisation of the prepaid employee benefit expenses for the year. The prepaid employee benefit arose from the excess of nominal mortgage loans disbursed over the fair value of the mortgage loans determined using the market rate for similar loans. During the year ended 2012, ₦3,314,000 was amortised to close the amortised portion at ₦12,893,000 (2011: ₦9,579,000)

	2011	2010
ix Investment Properties	**₦'000**	₦'000
As per NGAAP	**722,060**	800,264
Fair value Adjustments	**138,251**	64,510
	860,311	864,774

The fair value adjustments arose from the revaluation of investment properties at fair values of ₦860,310, 560 under IFRS as compared to NGAAP where the properties were carried at cost of ₦722,059,389. The investment property was fair valued based on discounted cash flows as determined by independent valuers.

x Property & Equipment		
Transfer from fixed assets	**583,310**	517,123

Property and equipment of ₦583,310,000 was reclassified from NGAAP under fixed assets.

xi Insurance Contract Liabilities		
Transfer from insurance fund	**938,874**	721,691
Actuarial Valuation	**1,032,074**	399,804
	1,970,948	1,121,495

Under local GAAP, the Company carries out periodic valuation of insurance contract liabilities in accordance with the Insurance Act of 2003. IFRS requires regular assessment of liability adequacy test at the end of each reporting period whether the recognised insurance liabilities are adequate using current estimates of future cash flows under the insurance contract liabilities. IFRS requires any deficiency identified to be recognised in profit or loss. At the date of transition to IFRS, this test was carried out by an Actuary who also separated investment contract liabilities embedded in insurance contract. This resulted in increase of N1,033,074,000 (2010: N399,804,000) and insurance liabilities increased accordingly. The increase had been recognised against income under gross change in contract liabilities with corresponding increase in insurance contract liabilities.

Breakdown of reclassification and remeasurement in Financial Statements

	2011	2010
xii Debt Securities in Issue	**₦'000**	₦'000
Transfer from convertible bond	**733,205**	808,542
Adjustment effective interest rate (Retained earnings)	**632,486**	632,486
Interest expense (Retained earnings)	**65,908**	-
Exchange loss (Retained earnings)	**92,278**	-
	1,523,877	1,441,028

The debt securities in issue represent the convertible bond. Interest rate was reviewed upward this resulted in additional liability of ₦632,486,000. Interest expense of ₦65,908,000 was capitalized and ₦92,278,000 represent foreign exchange loss on the debt.

xiii Trade Payable

Transfer from creditors & accruals	**171,892**	140,883

Trade payable of ₦171,892,000 (2010: ₦140,883,000) represents amount due to reinsurance and insurance companies.

xiv Other Payables and Accruals

Trasnfer from creditors & accruals	**64,129**	43,611

This amount was transferred from creditors and accruals. It represents amount due to lease and sundry creditors.

xv Book Overdraft

Transfer from creditors and accruals	**24,925**	23,522

This represents bank ledger with credit balance. It was reclassified from creditors and accruals.

xvi Retirement Benefit Obligation

As per NGAAP	**36,412**	-
Transfer from creditors & accruals	**-**	1,989
Adjustment to past service cost	**193,239**	-
	229,651	1,989

Under Local GAAP, the company operates a gratuity plan and recognised costs related to it on "pay-as-you-go basis". Under IFRS, the plan qualifies as a defined benefit plan and is recognised and measured on an actuarial basis using Project Unit Credit Method (PUCM). At the date of transition to IFRS, the defined benefit obligation (DBO) which was actuarially determined at ₦193,239,000 was charged to retained earnings with a corresponding figure being recognised in retirement benefit obligations.

Breakdown of reclassification and remeasurement in financial statements

	2011	2010
xvii Deferred Tax Liability	₦'000	₦'000
As per NGAAP	126,830	111,168
Adjustment to defer tax on gratuity liability	(68,895)	-
	57,935	111,168
xviii Share Premium		
As per NGAAP	191,943	191,943
Transfer from capital raising expenses (retained earnings)	(46,180)	-
	145,763	191,943
xix Retained Earnings		
Transfer from fixed assets revaluation	41,078	41,078
Transfer from general reserve	501,612	145,842
Fair value gain from investment properties	138,251	64,510
Fair value adjustment on available for sale	(11,560)	(11,560)
Impairment on trade receivables	(1,522,875)	(893,045)
Fair value of debt securities in issue	(632,486)	(632,486)
Impairment on unquoted securities	(52,865)	(52,865)
Impairment of mortgage loan	(1,652)	(1,652)
Adjustment from Other Receivable and Prepayments	(9,579)	(9,579)
Employee benefit cost	(3,314)	-
Transfer to share premium	46,180	-
Reinsurance recovery	221,545	52,385
Actuarial valuation for outstanding claim	(1,032,074)	(399,804)
Adjustment to mortgage loan interest	22,709	18,464
Adjustment in deferred tax	68,895	-
Employee benefit expense	(193,239)	-
Profit on sale of investment AFS	11,560	-
Interest expense on exchange loss	(65,908)	-
Exchange loss debt securities in issue	(92,278)	-
	(2,566,000)	(1,678,712)

Breakdown of reclassification and remeasurement in Financial Statements

	2011	2010
xx Available for sale reserve	**₦'000**	₦'000
Adjustment for realised net losses	**11,560**	11,560
Unrealised gain from available for sale	**2,898**	5,225
Transfer from Retained Earnings	**(11,560)**	-
	2,898	16,785

Unrealised Net gains/(Losses) during the period ₦2,898,000 (2010- (₦5,225,000)): This was taken to OCI as it relates to fair value adjustments on the investments in the MTN Shares which are classified as available for sale. Fair value adjustments on available for sale investments are recognized in OCI

Reclassification adjustments for realized Net Losses (₦11,560,000).These amounts refer to the fair value adjustments previously recognized in OCI. The financial instruments available for sale were disposed during the year hence the amounts are recycled to the income statement from OCI as the fair value adjustments are now realized.

xxi Reinsurance Cost	
As Per NGAAP	1,941,995
Transfer to retained earnings	5,537
	1,947,532

xxii Claim expenses	
Transfer from claim paid	1,105,836
Transfer from claim reserve	36,648
Transfer from reinsurance recovery	(46,107)
Transfer to retained earnings Actuarial valuation adjustment	632,270
Adjustment on recovery Actuarial valuation	(169,160)
Transfer from reinsurance expenses	(5,537)
	1,553,950

Claim expenses consist of claim paid and claim reserve. Under IFRS liability adequacy test was carried out. This resulted into additional expense of ₦632,270,000 and recovery of ₦169,160,000.

xxiii Underwriting expenses	
Transfer from acquisition cost	1,028,055
Transfer from maintenance cost	273,128
	1,301,183

Underwriting expenses is combination of acquisition cost and maintenance cost.

Breakdown of reclassification and remeasurement in financial statements

xxiv Investment Income	**2011** **₦'000**
Transfer from investment and other income	240,023
Transfer from movement in the value of investments	(73,492)
Interest income on below market interest loans to staff	4,245
	170,776

This consists of investment and other income and interest income from staff mortgage loan after adjusting for investment written off. ₦4,245,000 represents additional interest income from mortgage loan.

xxv Other operating income	
Transfer from investment and other income	199,489
Transfer from retained earnings	73,741
	273,230

This is the combination of investment and other income and gain of N73,741,000 on investment properties.

xxviForeign exchange difference	**2011** **₦'000**
As per NGAAP	67
Transfer to retained earnings (covertible bond)	92,278
	92,345

This represent loss on foreign exchange transactions. ₦92,278,000 is the loss arising from yen denominated convertible bond.

xxvii Interest expense	**2011** **₦'000**
As per NGAAP	-
Interest expenses on exchange loss	65,908
	65,908

This represents finance cost on convertible bond.

xxviii Provision for bad debts	
As per NGAAP	483,465
Impairment to trade receivable	629,830
	1,113,295

Additional impairment of ₦629,830,000 was provided under IFRS against trade receivable.

Breakdown of reclassification and remeasurement in financial statements

		2011
xxix	Taxation provision	**₦'000**
	As per NGAAP	**93,992**
	Transfer to retained earnings	(68,895)
		25,097
xxx	Unrealised net gains/(losses) arising during the period	
	As per NGAAP	-
	Available for sale reserve	(2,327)
		(2,327)

Unrealised Net gains/(Losses) during the period N2,327,000. This was taken to OCI as it relates to fair value adjustments on the investments in the MTN Shares which are classified as available for sale. Fair value adjustments on available for sale investments are recognized in OCI

		2011
xxxi	**Net reclassification adjustment for realised net losses**	**₦'000**
As per NGAAP		-
Adjustment for realised net losses		(11,560)
		(11,560)

Reclassification adjustments for realized Net Losses 11,560,000. These amounts refer to the fair value adjustments previously recognized in OCI. The financial instruments available for sale were disposed during the year, hence the amounts are recycled to the Statement of Comprehensive Income from OCI as the fair value adjustments are now realized.

Statement of Value Added

	2012 ₦'000	%	2011 ₦'000	%
Gross Premium Written:				
Local	**7,742,785**		6,407,713	
Foreign	**-**			
Other Income:				
Local	**78,042**		273,230	
Foreign	**-**			
	7,820,827		6,680,943	
Bought in Material and Services:				
Local	**(5,667,281)**		(6,450,329)	
Foreign				
Value Added	**2,153,546**	**100**	230,614	100
Applied as follows:				
Employees				
Salaries and other employees benefits	**640,703**	**29.75**	803,399	348.37
Provider of Capital				
Minority Interest				
Government				
Taxation	**108,759**	**5.05**	25,097	10.88
Retention and Expansion				
Depreciation	**211,678**	**9.83**	97,176	42.14
Contingency reserves	**232,284**	**10.79**	192,230	83.36
Retained profits for the year	**960,123**	**44.58**	(887,287)	(384.75)
Value Added	**2,153,546**	**100.00**	230,614	100.00

Value added represents the additional wealth the company has been able to create by its own and its employees' efforts.

This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the period

Three Year Financial Summary

	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Assets	**N'000**	N'000	N'000
Cash and Cash Equivalents	**1,166,795**	1,431,579	507,609
Trade Receivable	**1,149,175**	561,045	764,613
Reinsurance Assets	**1,322,312**	851,332	509,951
Deferred Acquisition Cost	**541,467**	266,962	287,203
Financial Assets	**917,287**	1,151,291	1,024,432
Investment Properties	**1,053,030**	860,311	864,774
Property and Equipment	**552,747**	583,310	517,123
Other Receivables and Prepayments	**95,421**	84,677	47,676
Statutory Deposit	**315,000**	315,000	315,000
Total Assets	**7,113,234**	6,105,507	4,838,381
Liabilities			
Trade Payables	**250,559**	171,892	140,883
Other Payables and Accruals	**42,145**	64,129	43,611
Book Overdraft	**-**	24,925	23,522
Current Tax Payable	**127,502**	83,475	54,885
Deferred Tax Liability	**35,183**	57,935	111,168
Retirement Benefit Obligations	**271,641**	229,651	1,989
Insurance Contract Liabilities	**2,239,625**	1,970,949	1,121,495
Debt Security in Issue	**1,007,775**	1,523,877	1,441,028
Total liabilities	**3,974,430**	4,126,833	2,938,581
Net Assets	**3,138,804**	1,978,675	1,899,800
Equity			
Issued Share Capital	**3,435,879**	3,435,879	2,601,879
Share Premium	**116,843**	145,763	191,943
Available-For-Sale Reserve	**(460)**	2,898	16,785
Contingency Reserve	**1,192,422**	960,138	767,908
Retained Earnings	**(1,605,880)**	(2,566,003)	(1,678,715)
Shareholders' Fund	**3,138,804**	1,978,675	1,899,800
Gross Premium Written	**7,742,785**	6,407,713	
Gross premiums income	**7,502,203**	6,173,285	
Net underwriting income	**4,994,462**	4,506,917	
Other Revenue	**848,324**	471,391	
Total Revenue	**5,842,786**	4,978,308	
Claims paid	**(920,434)**	(1,553,950)	
Impairment for Insurance Receivable	**(84,266)**	(1,113,295)	
Other Expenses	**(3,252,973)**	(2,824,909)	
Total Benefits, Claims and Other Expenses	**(4,257,673)**	(5,492,154)	
Profit Before Tax	**1,585,113**	(513,847)	
Income tax expense	(108,759)	(25,097)	
Profit For the Year	**1,585,113**	(513,847)	
Other Comprehensive Income for the year, net of tax	**(12,435)**	(13,887)	
Total Comprehensive Income for the year, net of tax	**1,463,920**	(552,830)	
Basic Earnings Per Share	**23.07**	(8.51)	

Share Capital History

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

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

TEAR OFF

Mandate Form

MERISTEM REGISTRARS LIMITED

213, Herbert Macaulay Way,
Sabo Yaba,
P.O. Box 51585,
Falomo-Ikoyi,
Lagos.
Phone: 01-8920491,8920492
Fax: 01-2707361
e-Mail: info@meristemregistrars.com
Website: www.meristemregistrars.com

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

MANDATE FOR DIVIDEND PAYMENT TO BANKS (e-Dividend)

To:

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

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

Bank name: ______________________

Bank Address: ______________________

____

Account Number: ______________________

Shareholders' Full Name: ______________________
(Surname First)

____

Shareholder's Address: ______________________

____

E-mail: ______________________

Mobile No

CSCS CHN ______________________ CSCS A/C NO. ______________________

Single Shareholder's Signature: ______________________

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

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

Company Seal

Authorized Signature & Stamp of Bankers: ______________________

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

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SOVEREIGN TRUST
INSURANCE PLC.
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PROXY FORM

TEAR OFF

I/We ....

of ....

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

....

or failing him, the Chairman, **H.H. E.F. Faloughi** 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 15th day of November, 2013 and at any adjournment thereof.

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, 2012, and the Reports of the Directors, the Auditors and the Audit Committee thereon.		
2. To re-elect Directors.		
3. To authorise the Directors to fix the remuneration of the Auditors.		
4. To elect the Shareholders' representatives on the Audit Committee.		
5. To consider and if deemed fit to pass the following resolution as an ordinary resolution: That the Directors' fees for the year ending December 31, 2012 be and is hereby fixed at ₦6,250,000.00.		

(*Please indicate with an 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.)

SIGNED____________ THIS______DAY OF____________ 2013

NOTES:

1. This form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the Registrar, Merristem Registrars Limited, 213, Herbert Macaulay Way, Adekunle, Yaba, Lagos, not later than 48 hours before the time for holding the meeting.

2. Where the appointor is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.

3. In the case of joint holders, the signature of any of them will suffice, but the names of all joint holders should be shown.

4. It is a legal requirement that all instruments of proxy must bear appropriate Stamp duty (currently ₦500.00) from the Stamp Duties Office, and not adhesive postage stamps.

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

(18TH ANNUAL GENERAL MEETING)

ADMISSION SLIP

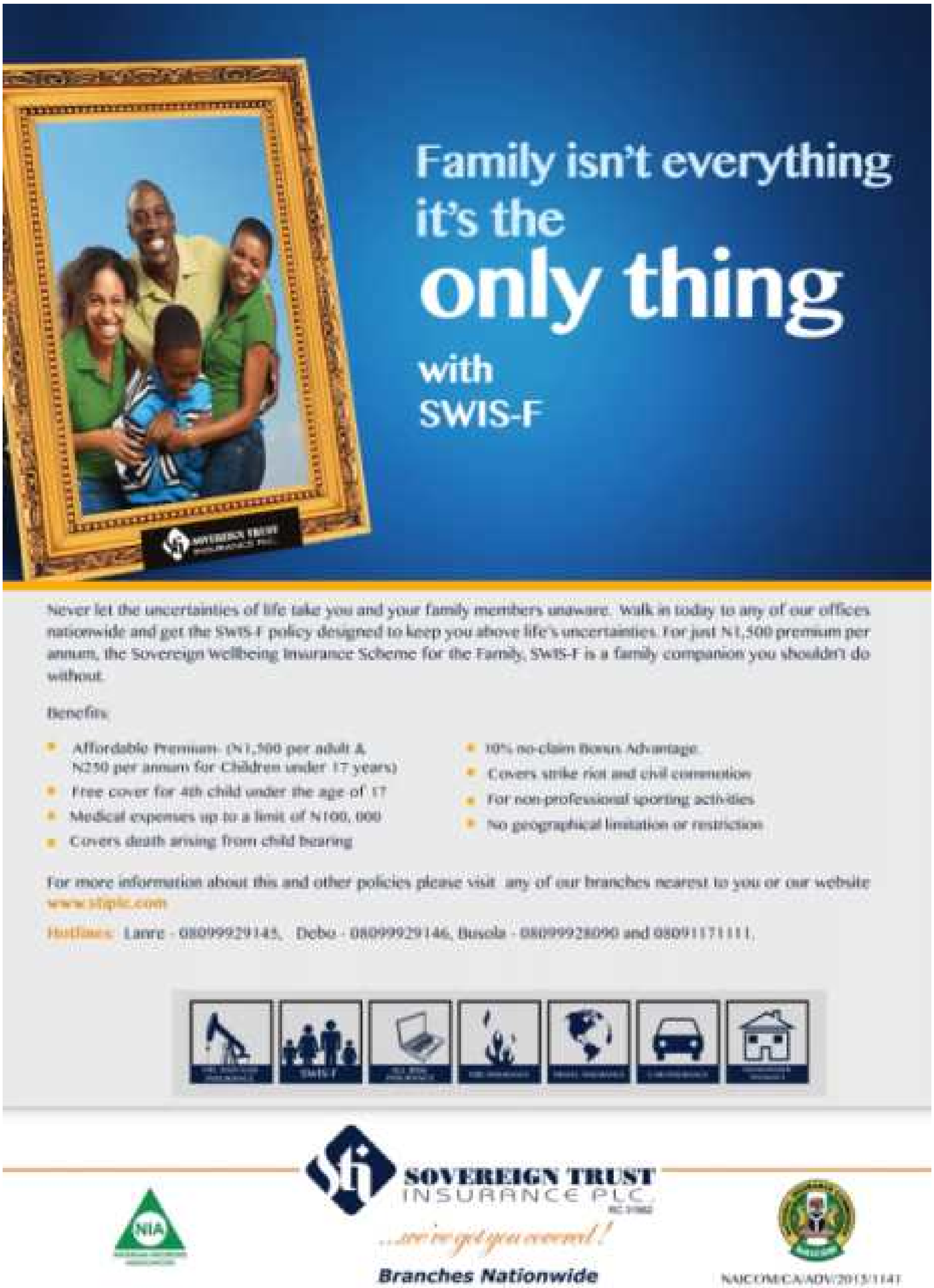
PLEASE admit only the Shareholder named on this slip or his duly appointed proxy to the Annual General Meeting being held at the Grand Banquet Hall, Civic Centre, Victoria Island, Lagos on 15th day of November 2013 , at 11.00a.m.

NAME OF SHAREHOLDER...

NAME OF PROXY...

*SIGNATURE ....

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


Family isn't everything
it's the
only thing
with
SWIS-F
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.
Benefits:
Affordable Premium- (N1,500 per adult & N250 per annum for Children under 17 years)
Free cover for 4th child under the age of 17
Medical expenses up to a limit of N100, 000
Covers death arising from child bearing
10% no-claim Bonus Advantage
Covers strike riot and civil commotion
For non-professional sporting activities
No geographical limitation or restriction
For more information about this and other policies please visit any of our branches nearest to you or our website www.stiplc.com
Hotlines: Lanre - 08099929145, Debo - 08099929146, Busola - 08099928090 and 08091171111.
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