Inspired to Perform

SOVEREIGN TRUST INSURANCE PLC

Annual Report & Accounts 2013

Vision

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

Mission

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

Core Values

Superior Customer Service
Innovation
Professionalism
Integrity
Empathy
Team Spirit

what's inside

Overview

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OVERVIEW

Company Profile

Sovereign Trust Insurance Plc commenced business in January 1995 following the restructuring and recapitalization of the then Grand Union assurances Limited. The Company went into operation with an authorized and paid up capital of ₦30 million and ₦20 million respectively. The Company, currently having its corporate head office at 17, Adetokunbo Ademola Street Victoria Island, Lagos with 25 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (PLC) on the 7th of April 2004, and was listed on the Nigerian Stock Exchange on 29th November, 2006.

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

PRODUCTS AND SERVICES

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

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

Sovereign Trust Insurance Plc also provides comprehensive risk management services. The company carries out various risk surveys and make appropriate recommendations towards risk improvement and minimization of loss impacts.

Currently, our authorized share capital is **₦5.25Billion divided into 10.5billion units of 50 kobo per share.** We have a fully paid-up capital and Shareholders' funds of over ₦3.4Billion. The ownership of the company is made up of diverse shareholders from wide range of individuals and institutional investors with a robust Board of Directors of distinguished personalities.

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

INTERNATIONAL RATING

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

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

REINSURANCE TREATY COVER

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

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

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

19TH
AGM NOTICE

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **19th 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 31st day of October 2014 at 12.00 Noon** to transact the following businesses:

ORDINARY BUSINESS:

1. To lay before the Meeting the Audited Financial Statements for the year ended December 31, 2013, and the Reports of the Directors, the Auditors and the Audit Committee thereon.
2. To re-elect Directors
   Special notice is hereby given by the Company to the members in accordance with S256 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 (CAMA) that the following resolution will be moved at the Meeting: "Chief Ephraim Fagha Faloughi OON be re-elected a Director of the Company notwithstanding that he had attained the age of 70 years in November, 2013".
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To elect the Shareholders' representatives on the Audit Committee.
5. To consider and if deemed fit to pass the following resolution as an ordinary resolution:
   That the Directors' fees for the year ended December 31, 2013 be and is hereby fixed at ₦6,250,000.00.

DATED THIS 16th DAY OF SEPTEMBER 2014
BY ORDER OF THE BOARD

EQUITY UNION LIMITED
Company Secretaries

NOTES
PROXIES

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

CLOSURE OF REGISTER

The Register of members will be closed from 15th October 2014 to 22nd October 2014 (both days inclusive) to enable the Registrars make necessary preparations for the Annual General Meeting.

AUDIT COMMITTEE

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

Corporate Information

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. Samuel Ogbodu (Exec. Director/COO)
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
213, 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 of Nigeria Limited.
GTBank Plc.
Skye Bank Plc.
Stanbic IBTC Plc.
Sterling Bank Plc.
UBA Plc.
Zenith Bank Plc.

Corporate Information Cont'd.

Business Information

Retail & Business Development
Contact: Ugochi Odemelam
08099929134

Operations
Contact: Olaotan Soyinka
08099928042

Business Development
Contact: Emmanuel Anikibe
08099928102

OUR BRANCH NETWORK

LAGOS CENTRAL AREA OFFICE
21, Boyle 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: Tayo Ogundipe
08099925306

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

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

ABUJA AREA OFFICE
40, Agadez Crescent
Off Aminu Kano Street
Wuse II, 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

Corporate Information Cont'd.

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

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
Emmanuel Anikibe	AGM/ Head, IT, Telecoms & Other Corporates
Lanre Ojuola	AGM/ Head, Direct Marketing
Chris Agbara	AGM/Head, Technical

Financial Highlights

For the year ended 31 December 2013

	Dec. 2013	Dec. 2012	Change	
Financial Position	**₦'000**	₦'000	**₦'000**	**%**
Cash and cash equivalents	**1,932,889**	1,166,795	**766,094**	**66**
Trade receivable	**98,328**	1,149,175	**(1,050,847)**	**(91)**
Financial Assets	**1,011,268**	917,287	**93,981**	**10**
Property, Plant and Equipment	**548,586**	552,747	**(4,161)**	**(1)**
Other Receivables and Prepayments	**184,957**	95,421	**89,536**	**94**
Investment in Associate	**50,255**	-	**50,255**	**-**
Investment in properties	**1,222,022**	1,053,030	**168,992**	**16**
Deferred acquisition costs	**548,295**	541,467	**6,828**	**1**
Reinsurance assets	**2,652,287**	1,322,312	**1,329,975**	**101**
Statutory deposit	**315,000**	315,000	**0**	**-**
Intangible assets	**6,201**	-	**6,201**	**-**
Total Assets	**8,649,295**	7,113,234	**1,536,061**	**22**
Trade payables	**177,238**	250,559	**(73,321)**	**(29)**
Insurance contract liabilities	**3,472,833**	2,239,625	**1,233,208**	**55**
Debt securities in issue	**1,066,897**	1,007,775	**59,122**	**6**
Current tax payable	**32,732**	127,500	**(94,768)**	**(74)**
Total liabilities	**5,165,799**	3,974,430	**1,191,369**	**30**
Issued share capital	**3,435,879**	3,435,879	**-**	**-**
Share premium	**116,843**	116,843	**-**	**-**
Available-for-sale reserve	**27,018**	(460)	**27,478**	**(5,973)**
Contingency reserve	**1,452,632**	1,192,422	**260,210**	**22**
Retained earnings	**(1,548,875)**	(1,605,880)	**57,005**	**(4)**
Total Equity	**3,483,497**	3,138,804	**344,693**	**11**
Comprehensive Income				
Gross premiums written	**8,673,676**	7,742,785	**930,891**	**12**
Net underwriting Income	**4,309,149**	4,620,455	**(311,306)**	**(7)**
Investment, Fee and Other Income	**1,084,362**	1,222,331	**(137,969)**	**(11)**
Total Revenue	**5,393,511**	5,842,786	**(449,275)**	**(8)**
Claims paid	**(1,751,951)**	(920,434)	**(831,517)**	**90**
Impairment for Insurance Receivable	**(290,471)**	(84,266)	**(206,205)**	**245**
Other Expenses	**(3,001,542)**	(3,252,973)	**(251,431)**	**(8)**
Total Benefits, Claims and Other Expenses	**(5,043,964)**	(4,257,673)	**(786,291)**	**(18)**
Profit Before Tax	**274,859**	1,585,113	**(1,310,254)**	**(83)**
Income tax expense	**72,071**	(108,759)	**180,830**	**(166)**
Profit For the Year	**346,930**	1,476,355	**(1,129,425)**	**(77)**
Other Comprehensive Income for the year, net of tax	**(2,237)**	(12,435)	**10,198**	**(82)**
Total Comprehensive Income for the year, net of tax	**344,693**	1,463,920	**(1,119,227)**	**(76)**
Basic Earnings Per Share	**4.00**	23.07	**(19.07)**	**(83)**

CHAIRMAN'S STATEMENT

H.H. (Dr.) Ephraim F. Faloughi, OON
(Pharaoh Ebegbeni Suff II)
Chairman

Introduction

Distinguished Shareholders, Special Guests, Fellow Board Members, Ladies and Gentlemen, I am highly privileged and pleased to welcome you to the 19th Annual General Meeting of our beloved Company, Sovereign Trust Insurance Plc. It is also an honour to present the Financial Statements of the Company for the period ended December 31, 2013 at this meeting.

Before I proceed, and in consonance with my usual reporting style, permit me to take you on a quick run through of events in both the global and domestic economy that impacted on our performance and business for the year.

Operating Environment

Global activity and world trade picked up in the second half of 2013. Available data even suggested that global growth during this period was clearly stronger than what was projected for the year.

Demand in advanced economies expanded broadly and much of the upward surprise in growth was due to higher inventory demand and increased consumption. In emerging market economies, an export rebound was the main driver behind better performance, while domestic demand generally remained subdued, except in China. Uncertain financial conditions in Eurozone have eased towards the end of the year but little change was witnessed in the U.S.

In emerging market economies however, financial conditions have remained tighter following the surprise U.S. tapering announcements, notwithstanding fairly resilient capital flows. Equity prices have not fully recovered; many sovereign bond yields have edged up as well, while some currencies have been under pressure.

China's economy expanded at the lowest rate in 20 years, affecting growth across the region. But second half of the year brought reassurance that the world's second largest economy had avoided a hard landing.

Nigeria's economy was relatively stable and it continued its growth trajectory in 2013. In addition to the robust growth largely driven by the non-oil sector, the stance of monetary policy helped to significantly rein in inflationary pressures which moderated to about 8% in December, 2013.

In addition, the conducive investment climate brought about by predictable macroeconomic environment has continued to ensure sustained inflow of foreign capital into the economy and ensure a resilient Naira trading within acceptable band as set by the Central Bank of Nigeria.

The recent historic hand-over of licenses and certificates to new successor owner companies of the defunct Power Holding Company of Nigeria (PHCN) marked an important milestone in the on-going reform of the power sector. The reforms saw to the unbundling and transfer of generation and distribution activities in the sector from public sector to the private sector.

This development is expected to engender competition and raise Nigeria's power generation capacity to about 20,000 MW by 2018 which will lead to efficient and stable power supply at competitive rate. It is also expected to reduce cost of doing business and attract local and foreign investors into the industrial and manufacturing sectors of the economy and also open job opportunities.

The provision of stable electricity supply will unleash Nigeria's enormous economic potentials by creating employment opportunities and boosting industrial growth and development that will have a positive impact on the country's GDP.

The Capital Market recorded an impressive performance in the year ended as evidenced by the 43% return recorded for the year. The Nigerian Stock Exchange (NSE) All Share Index began the year at 28,078.81 and ended it at 40,231.68 basis point, ranking the market as one of the best performing in the world.

The political atmosphere in the country however continued to be a source of concern as activities of the terrorist group Boko-Haram, continued to negatively affect business operations majorly in the Northern parts of the country despite the concerted efforts of the Federal Government to curb the menace of the sect.

In summary, we believe in the resilient dynamism of our economy and are so full of optimism that Nigeria's better days lie ahead. This belief is also buoyed by the sheer willpower of our people to continue to innovate even in the midst of crisis and bringing something out of nothing.

The Insurance Industry

The year was a peculiar one for the Insurance Industry, as it heralded the enforcement of 'No Premium No Cover' Policy of the Insurance Act 2003 by the National Insurance Commission of Nigeria (NAICOM). Our business was virtually conducted on cash and carry basis with allowance of thirty days credit period and this really helped the industry in no small measure, as it reduced the outstanding premium problems as well as providing necessary impetus that facilitated liquidity status of operators in the course of the year.

By and large, the future looks bright for the industry, particularly with the influx of foreign brands that are now raising competition to its peak. Building scale in the retail segment of the market has now become imperative for survival. We foresee a market induced consolidation in the wake of the emerging market competition and believe that this will speak well for the industry as there will be large operators with huge muscles to penetrate the retail space and reduce dependency on insurance intermediaries.

Operating Result

The drive to continue to uphold comprehensive growth strategy still forms the background upon which your company is built. In the midst of the various challenges that characterized the industry within the year, your company was able to record Gross premium written of ₦8.76 Billion representing a 12% growth over the ₦7.47 Billion recorded in 2012.

This performance resulted into a Profit Before Tax of ₦274.85 million and a Profit after tax of ₦346.93 million. This in turn resulted into a total equity amount of ₦3.48 billion as at the end of the year.

Rights Issue

Further to the special resolution passed at the last Annual General Meeting of the Company which empowered the Directors to raise additional equity capital whether by way of Special Placement or Public Offer/Rights Issue or a combination of any of them, the Board gave approval to Management to embark on issuance of additional shares to existing shareholders by way of rights at a ratio 1 for every 3 shares held in the company.

The decision to go the Rights Issue route was informed by the desire to inject much needed capital into the business so as to address certain initiatives that would position the company towards its future expansion plans. We considered this a vista of opportunity for you all to increase your holdings in the company and position for higher returns in the future. We are indeed grateful for the continued support of all our esteemed Shareholders.

Retirement by Rotation

In accordance with the Company's Articles of Association, the following Directors, Chief Ephraim Faloughi, Col. Musa Shehu (Rtd) and Sir Ogala Osoka retire by rotation and, being eligible, offer themselves for re-election. Notwithstanding the fact that Chief Ephraim Faloughi is 70 years of age, he is willing and competent to hold the position of a director.

FUTURE OUTLOOK

Nigeria's burgeoning economy and growing population offer great incentive to businesses in the country. The potentials of the economy cannot be hidden even in the face of renewed interest from international players. All of these, coupled with low penetration rate of insurance market are pointers to great opportunities available in the insurance industry in Nigeria. We would continue to deploy our resources in line with our strategic blueprint to produce more innovative and bespoke products that will continue to meet the need and aspirations of our customers.

The rapid changes in the industry is

another justification for our proactive response to shoring up our capital base using both organic and in-organic approach. We believe, this will position us appropriately in both the local and international market.

As the government reforms continue in the Oil and Gas sector vis-a-vis the local content policy of government, we see more growth coming our way particularly with our competitive advantage in the Energy sector. The passing into law of the Petroleum Industry Bill (PIB) will also open a new era for the industry at large.

CONCLUSION

Ladies and gentlemen, we have every reason to thank the almighty God for being our pillar of support especially through the ups and down in our economy in the year ended. May we hereby restate our commitment to providing excellent service to the benefit of our entire stakeholders.

To my colleagues on the Board, I extend my sincere gratitude for your dedication and wise counsel which have contributed to making this year an outstanding success. And to our Staff who have been the pillar of our operation, we say thank you.

More importantly, I will like to appreciate our valued customers for the confidence reposed in our company. It would have been impossible for us to achieve this result were it not for them. We indeed express our sincere gratitude for their patronage, consistency and continued belief in our brand.

To our amiable Shareholders, I cannot but reassure you of the great aspiration of your company to take the position of leadership in the Industry; we believe that the actualization of this objective is now nearer to us than ever. We would leave no stone unturned in achieving this goal.

Thank you.

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

Envision Create Achieve

Board of Directors

Board of Directors

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

Mr. Oluseun O. Ajayi
Vice Chairman

Board of Directors Cont'd.

Mr. Bolaji Agbabiaka
Director

Mrs. Adefemi Abeke Taire, OFR
Director

Board of Directors Cont'd.

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
Independent Director

OVERVIEW

Board of Directors Cont'd.

Mr. Wale Onaolapo
Managing Director/CEO

Mr. Samuel Ogbodu
Executive Director/COO

MANAGEMENT TEAM

Management Team

Wale Onaolapo
Managing Director/CEO

Samuel Ogbodu
Executive Director/COO

Management Team Cont'd.

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

Management Team Cont'd.

Sanni Oladimeji
AGM/Head, Risk Management & Control

Segun Bankole
AGM/Head, Corporate Communications & Brand Management

Management Team Cont'd.

Olalekan Oguntunde
AGM/Head, IT & Strategy

Emmanuel Anikibe
AGM/Head, IT, Telecoms & Other Corporates

Management Team Cont'd.

Lanre Ojuola
AGM/Head, Direct Marketing

Chris Agbara
AGM/Head, Technical

Get the cover you can count on
With
STI Burglary Insurance
This Policy covers:
Home/Office Accessories
Tools/Equipment of Work
Stock in trade
Personal Effects
SOVEREIGN TRUST
INSURANCE PLC
...we've got you covered!
Branches Nationwide

Director's Report

The Directors present their annual report on the affairs of SOVEREIGN TRUST INSURANCE PLC together with the financial statements and auditors' report for the year ended December 31, 2013.

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.

The Company, currently having its corporate head office at Victoria Island, Lagos with 24 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.

	2013	2012
	₦'000	₦'000
Gross premiums written	**8,673,676**	7,742,785
Net underwriting Income	**4,309,149**	4,620,455
Investment, Fee and Other Income	**1,084,362**	1,222,331
Total Revenue	**5,393,511**	5,842,786
Claims paid	**(1,751,951)**	(920,434)
Impairment for Insurance Receivable	**(290,471)**	(84,266)
Other Expenses	**(3,001,542)**	(3,252,973)
Total Benefits, Claims and Other Expenses	**(5,043,964)**	(4,257,673)
Profit Before Tax	**274,859**	1,585,113
Income tax expense	**72,071**	(108,759)
Profit For the Year	**346,930**	1,476,355
Other Comprehensive Income for the year, net of tax	**(2,237)**	(12,435)
Total Comprehensive Income for the year, net of tax	**344,693**	1,463,920
Basic Earnings Per Share	**4.00**	23.07

Board of Directors

The members of the Board of Directors of the company as at December 31, 2013 are as follows:

1. Chief Ephraim F. Faloughi - Chairman
2. Mr. Oluseun O. Ajayi - Vice Chairman
3. Mr. Bolaji Agbabiaka - Director
4. Mrs. A. A. Taire - Director
5. Mr. Kolapo Lawson - Director
6. Sir Ogala Osoka - Director
7. Prof. Steve Azaiki - Director
8. Col. Musa Shehu (Rtd) - Independent Director
9. Samuel Ogbodu - Executive Director/COO
10. Mr. Wale 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 follow:

Directors	Direct	Indirect	**Total Dec. 2013**	Total Dec. 2012
Chief (Dr.) Ephraim F. Faloughi	662,477,022	916,179,557	**1,578,656,579**	1,578,656,579
Mr. Oluseun O. Ajayi	183,078,430	135,838,720	**318,917,150**	358,917,150
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. Stephen Azaiki	-	900,000,000	**900,000,000**	900,000,000
Samuel Ogbodu	31,450,000	-	**31,450,000**	-
Mr. Wale Onaolapo	104,434,560	-	**104,434,560**	104,434,560

Directors' Interest in Contracts

None of the directors has notified the Company for the purpose of Section 277 of the Company and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the company was involved during the year ended December 31, 2013.

Substantial Interest in Shares

According to the register of members at December 31, 2013, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

	As at December 2013	
Shareholders	**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**

Shareholding Analysis

The shareholding pattern of the Company as at December 31, 2013 is as stated below:

Share Range	No of Shareholders	% of Shareholders	No of Holdings	% of Holdings
1-1,000	561	6.39	277,603	0.0
1,001-5,000	1,575	17.95	4,711,678	0.07
5,001-10,000	1,060	12.08	7,860,216	0.11
10,001-50,000	2,879	32.81	72,776,907	1.06
50,001-100,000	986	11.24	70,478,662	1.03
100,001-500,000	1,204	13.72	252,648,102	3.68
500,001-1,000,000	199	2.27	144,304,794	2.1
1,000,001-50,000,000	226	2.58	464,629,839	6.76
50,000,001-100,000,000	26	0.3	200,091,955	2.91
100,000,001-Above	58	0.66	5,653,977,638	82.28
	8,774	**100**	**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.

Post Balance Sheet Events

There has been no material change in the Company's financial position since 31st December, 2013 that would have affected the true and fair view of the Company's state of affairs as at date.

Property and Equipment

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

- **Insurance Technical Agreements**

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

- Africa Reinsurance Corporation
- Continental Reinsurance Company Limited
- WAICA Reinsurance Pool
- 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
5.	Mr. Samuel Ogbodu	Member

- **Finance and General Purposes Committee**

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

- **Investment Committee**

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

- **Enterprise Risk Management Committee**

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

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

Employees and Employment

Employees' Health, Safety and Environment

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

Employment of Disabled Persons

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

Record of Attendance

Board Meetings	Position	No of Meetings	Attendance
H.H E.F Faloughi	Chairman	3	3
Mr. Oluseun Ajayi	Member	3	3
Mr. Bolaji Agbabiaka	Member	3	3
Prof Steve Azaiki	Member	3	2
Mr. Kolapo Lawson	Member	3	1
Mrs. A.A Taire	Member	3	3
Sir Ogala Osoka	Member	3	3
Col. Musa Shehu (RTD)	Member	3	3
Mr. Wale Onaolapo	Member	3	3
Mr. Samuel Ogbodu	Member	3	3

Finance & General Purposes Committee	Position	No of Meetings	Attendance
Mr. Kolapo Lawson	Member	7	6
Mr. Bolaji Agbabiaka	Member	7	6
Mr. Oluseun Ajayi	Member	7	7
Sir Ogala Osoka	Member	7	6
Mr. Wale Onaolapo	Member	7	7
Mr. Samuel Ogbodu	Member	7	7

Investment Committee	Position	No of Meetings	Attendance
Mr. Oluseun Ajayi	Member	2	2
Mr. Bolaji Agbabiaka	Member	2	2
Mr. Wale Onaolapo	Member	2	2
Mr. Samuel Ogbodu	Member	2	2

Establishment & Business Development Committee	Position	No of Meetings	Attendance
Mrs. A.A Taire	Member	3	3
Sir Ogala Osoka	Member	3	3
Col. Musa Shehu (RTD)	Member	3	3
Mr. Wale Onaolapo	Member	3	3
Mr. Samuel Ogbodu	Member	3	3

Enterprise Risk Management Committee	Position	No of Meetings	Attendance
Mr. Oluseun Ajayi	Member	3	3
Mr. Bolaji Agbabiaka	Member	3	3
Prof Steve Azaiki	Member	3	3
Mr.Wale Onaolapo	Member	3	3
Mr. Samuel Ogbodu	Member	3	3

Statutory Audit Committee	Position	No of Meetings	Attendance
Mr. Bimbo Oguntunde	Member	4	4
Otunba Femi Dinah	Member	4	4
Mrs. A.A Taire	Member	4	4
Sir Ogala Osoka	Member	4	2

Donations

Donations during the year ended December 31, 2003 amounted to (2012: ₦2,050,000) as follows:

	2013
	₦
Nigerian Girl Guides Association	500,000
Nigerian Council of Registered Insurance Brokers	850,000
Heart of Gold	100,000
Nigerian Insurer Association	450,000
AES Exceller Club	250,000
Institute of Directors of Nigeria	250,000
	2,400,000

Auditors

Messrs. SIAO (Chartered Accountant) 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 determinetheir remunerations.

By Order of the Board.

Yetunde Martins
Equity Union Limited
Company Secretaries
Lagos, Nigeria

FRC/2013/NBA/00000003399

Date 27/05/2014

Statement of Director's Responsibilities
In accordance with the provisions of the 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 financial year of the Company and of the operating result for the year then ended.

The responsibilities include ensuring that:

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

- The Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Financial Reporting Council Act 2011, Companies and Allied Matters Act, 2004, Insurance Act 2003.

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

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

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

- First – time Adoption – IFRS 1
- Financial Reporting Council Act 2011
- Insurance Act 2003
- Companies and Allied Matters Act 2004

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

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

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

Signed on behalf of the Directors on June 9, 2014 by:

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

....
Chief (Dr.) Ephraim Faloughi (OON)
Chairman
FRC/2013/IODN/00000002965

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, 2013 that:

- We have reviewed the report:
- To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made:
- To the best of our knowledge, the financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in the report.
- We:
  - Are responsible for establishing and maintaining internal controls.
  - Have designed such internal controls to ensure that material information relating to the company and its consolidated subsidiary is made known to such officers by others within those entries particularly during the period in which the periodic reports are being prepared;
  - Have evaluated the effectiveness of the company's internal controls as of date within 90 days prior to 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

Seeing Through our Values

Superior Customer Service

**Timely and Proficient
Through nearly two decades
in risk underwriting business.**

Innovation

**Applying foresight and know-how,
understanding our peculiar terrain,
consolidating our vision,
anticipatory; regarding new horizons.**

Professionalism

**Our schemes - detailed
Achieving set objectives
...usually begins with an idea
Every idea; thoroughly processed
Success; the bottom line.**

Integrity

**Promptly settling claims
Providing guarantees
for the future.**

Empathy

**The soul of our endeavour revolves
around ensuring every detail
is noticed and attended.**

Team Spirit

**Individual efforts ...
working together for
the collective goal.**

Independent Auditor's Report

SIAO

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

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

To the members of Sovereign Trust Insurance Plc

We have audited the accompanying financial statements of **Sovereign Trust Insurance Plc** which comprise the statement of Financial Position as at December 31, 2013, and the Statement of Comprehensive Income, Cash Flows Statements and the statement of significant accounting policies on pages 43 to 76 and explanatory notes to the financial statements, as set out on pages 77 to 139.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financing Reporting Standard (IFRSs) and the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, Financial Reporting Council Act 2011, the Insurance Act 2003 of Nigeria, the Investments and Securities Act 2007 and the National Insurance Commission (NAICOM) circulars. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation 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 on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) applicable and in the manner required by the Financial Reporting Council Act 2011, Companies and Allied Matters Act, CAP C20 LFN 2004, the Insurance Act 2003 of Nigeria, the Investments and Securities Act 2007 and the relevant NAICOM circulars.

Report on Other Legal Regulatory Requirements
Compliance with the requirements of the Companies and Allied Matters Act, 2004.

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

Emphasis of Matter
We draw your attention to note 48 of the financial statements which indicates that the Company's Solvency Margin is less than the minimum regulatory solvency requirement by 10%.

Joshua Ansa
FRC/2013/1CAN/00000001728

For: SIAO (Chartered Accountants)
Lagos, Nigeria

Date 13/06/2014

Report of the Audit Committte

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, has 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, 2013 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 of the External Auditors' findings on management matters for the year ended December 31, 2013.

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 27/05/2014

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. General information

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

The principal activity of the Company continues to be the provision of all classes of non-life insurance and special risk insurance, settlement of claims and Insurance of Policy Holders' Fund. The Company, currently having its corporate head office at 17 Ademola Adetokunbo Street, Victoria Island, Lagos with 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.
These financial statements were authorized by the Board on 9th June 2014

2. Going Concern

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

3 Summary of significant accounting policies

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

3.1 Basis of Preparation and Compliance with IFRS

These financial statements are the stand alone financial statements of Sovereign Trust Insurance. The Company's financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

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

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

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

liabilities which are measured at amortised cost.
- Investment properties which are measured at fair value.

3.2 Critical Accounting Estimates, Judgments and Assumptions

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

3.3 Judgement, Estimates and Assumption

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or if the revision affects both current and future periods. Information about significant areas of estimation uncertainty and critical judgments inapplying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

3.3.1 Income Taxes

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

3.3.2 Retirement benefits

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

3.3.3 Fair valuation of investment properties

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

3.4 Improvements to IFRSs

Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial period beginning on or after 1 January 2013 that would be expected to have an impact on the company.

3.4.1 IFRS Updates (Effective in 2013 and beyond) and IFRS Updates in 2013

<u>List of amendments</u>

Amendments Issued 2013

- Recoverable Amount Disclosures for Non Financial Assets- IAS 36 (Issued May 2013)
- IFRIC 21: New Interpretation (Issued May 2013)
- Novation of Derivatives and Continuation of Hedge Accounting for novations (Issued June 2013)

Amendments Effective 1st January, 2013

1. IFRS 1 (First time Adoption): IFRS 1 amendment includes an exception to the retrospective application of IFRS 9(Financial Instruments) and IAS 20 (Accounting for government grants).

2. IAS 19 (Employee benefit): This includes certain amendments such as eliminating the corridor approach to recognizing actuarial gains and losses.

3. IFRS 7 (Financial Instruments- Disclosures): The amendments require an entity to disclose information about rights of set-off (financial assets and liabilities) and related arrangements.

4. IFRS 10 (Consolidated Financial Statement), IAS 27(Separate Financial Statements): This amendment addresses IFRS 10 for consolidated financial statements and IAS 27 for separate financial statements. It also revises the definition of control.

5. IFRS 12 (Disclosures): IFRS 12 requires certain disclosures to facilitate understanding of financial statements by users of financial statements.

6. IFRS 13 (Fair value measurement): IFRS 13 gives a definition for fair value wherever fair value is used under IFRS with the exclusion of fair value under IFRS 2 (Share based payment) and IAS 17(Leases).

7. IAS 32(Off-setting financial Assets and Financial Liabilities -Amendments to IAS 32) : IAS 32 clarifies the meaning of " legally enforceable rights to set off"

8. Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27: This amendment requires Investment entities to account for investment in subsidiaries at Fair value through profit or loss in accordance with IAS 39. In addition, a criterion for qualifying as an Investment entity is that Investments in associates and Joint ventures are accounted for at Fair value through profit or loss in accordance with IAS 39.

9. Novation of Derivatives and Continuation of Hedge Accounting- IAS 39 Amendments: Amendments to IAS 39 provides relief from discontinuing hedge accounting for novations of hedging instruments that meet certain criteria.

10. Recoverable Amount Disclosures for Non financial Assets- Amendments to IAS 36: This amendment removes the requirements for an entity to disclose the recoverable amount of every CGU to which significant goodwill or indefinite – lived intangible assets have been allocated. Instead, such disclosure is required only when an impairment loss has been recognized or reversed.

11. IFRIC 21: IFRIC 21 provides guidance on determining the obligating event that give rise to a liability in connection with a levy imposed by a government. IFRIC 21 clarifies that the obligating event is the activity that triggers the payment of the levy as identified by the legislation. Income taxes in the scope of IAS 12, fines and penalties are not in the scope of IFRIC 21.

Effective January 1st, 2015

12. IFRS 9 (Financial Instruments): These amendments apply to the classification and measurement of financial assets and liabilities.

13. IFRS 1: Government Loans — Amendments to IFRS 1

Effective for annual periods beginning on or after 1 January 2013

Key requirements

The IASB has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS.

However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

The exception would give first-time adopters relief from retrospective measurement of government loans with a below market rate of interest. As a result of not applying IFRS 9 (or IAS 39, as applicable) and IAS 20 retrospectively, first-time adopters would not have to recognise the corresponding benefit of a below-market rate government loan as a government grant.

Transition
The amendments may be applied earlier than the effective date, in which case, this must be disclosed.

Impact
These amendments give first-time adopters the same relief as existing preparers of IFRS financial statements and therefore will reduce the cost of transition to IFRS

- **IAS 19 Employee Benefits (Revised)**
  Effective for annual periods beginning on or after 1 January 2013.

Key requirements
The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording.
The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI as they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Transition
The revised standard is applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy. There are limited exceptions for restating assets outside the scope of IAS 19 and presenting sensitivity disclosures for comparative periods in the period theamendments are first effective. Early application is permitted and must be disclosed.

Impact
These changes represent a significant further step in reporting gains and losses outside of profit and loss, with no subsequent recycling. Actuarial gains and losses will be excluded permanently from earnings

- **IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**
  Effective for annual periods beginning on or after 1 January 2013.

Requirements
These amendments require an entity to disclose information about rights of set-off

and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments.

Presentation
The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

Transition
These amendments are applied **retrospectively** in accordance with IAS 8. They do not refer to the ability to adopt early. However, if an entity chooses to early adopt IAS 32 "Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, it also must make the disclosure required by IFRS 7 Disclosures — Offsetting Financial Assets and Financial liabilities — Amendments to IFRS 7.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  Effective for annual periods beginning on or after 1 January 2013.

Key requirements
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities* which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)

- Exposure, or rights, to variable returns from its involvement with the investee and
  The ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor.

- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control).

- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control.

- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.
- Consolidation is required until such time as control ceases, even if control is temporary.

Transition
The new standard is applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy, with some relief being provided.

Earlier application is permitted if the entity also applies the requirements of IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) and IAS 28 Investments in Associates (as revised in 2011) at the same time.

Impact
IFRS 10 creates a new, and broader, definition of control than under current IAS 27. This may result in changes to a consolidated group (more or fewer entities being consolidated than under current IFRS).

Assessing control will require a comprehensive understanding of an investee's purpose and design, and the investor's rights and exposures to variable returns, as well as rights and returns held by other investors. This may require input from sources outside of the accounting function, such as operational personnel and legal counsel, and information external to the entity. It will also require significant judgment of the facts and circumstances.

- **IFRS 12 Disclosure of Interests in Other Entities**
  Effective for annual periods beginning on or after 1 January 2013.

Key requirements
IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new.

The objective of the new disclosure requirements is to help the users of financial statements understand the following:

- The effects of an entity's interests in other entities on its financial position, financial performance and cash flows

- The nature of, and the risks associated with, the entity's interest in other entities Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each of its subsidiaries that have non-controlling interests that are material to the reporting entity.

- Significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e., joint operation or joint venture), if applicable.

- Summarised financial information for each individually material joint venture and associate.

- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks.

Transition
IFRS 12 must be applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy, with comparative disclosures required.
An entity may early adopt IFRS 12 before adopting IFRS 10, IFRS 11, IAS 27 and IAS 28. Entities are also encouraged to provide some of the information voluntarily without

necessarily adopting all of IFRS 12 before its effective date.

Impact
The new disclosures will assist users to make their own assessment of the financial impact were management to reach a different conclusion regarding consolidation. Additional procedures and changes to systems may be required to gather information for the preparation of the additional disclosures.

- **IFRS 13 Fair Value Measurement**
  Effective for annual periods beginning on or after 1 January 2013.

Key requirements

IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an "exit price"). "Fair value" as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13. The standard provides clarification on a number of areas, including the following:

- Concepts of "highest and best use" and "valuation premise" are relevant only for nonfinancial assets and liabilities
- Market participants are assumed to transact in a way that maximizes value in situations where the unit of account for the item being measured is not clear from other IFRS
- The impact of blockage discounts is prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active.

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

Transition
IFRS 13 is applied prospectively. Early application is permitted and must be disclosed.

Impact
Specific requirements relating to the highest and best use and the principal market may require entities to re-evaluate their processes and procedures for determining fair value, and assess whether they have the appropriate expertise.

- **IAS 32 (Offsetting Financial Assets and Financial Liabilities) — Amendments to IAS 32** Effective for annual periods beginning on or after 1 January 2014.

Key requirements
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. IAS 32 paragraph 42(a) requires that "a financial asset and a financial liability shall be offset ... when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts ..." The amendments clarify that rights of set-off must not only be

legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

Transition

These amendments are applied retrospectively, in accordance with IAS 8. Early application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosure required by IFRS 7 Disclosures — Offsetting Financial Assets and Financial liabilities—Amendments to IFRS 7.

Impact

Entities will need to review legal documentation and settlement procedures, including those applied by the central clearing houses they deal with to ensure that offsetting of financial instruments is still possible under the new criteria. Changes in offsetting may have a significant impact on financial presentation. The effect on leverage ratios, regulatory capital requirements, etc., will need to be considered by management.

- **Investment Entities- IFRS 10, IFRS 12 and IAS 27 (Amendments)**

  Effective for annual periods beginning on or after 1 January 2014.

Key requirements

The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The key amendments include:

- Investment entity' is defined in IFRS 10

- An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment

- An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures)

- An investment entity must measure its investment in another controlled investment entity at fair value

- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees

- For venture capital organizations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

Transition
The amendments must be applied retrospectively, subject to certain transition reliefs. Early application is permitted and must be disclosed.

Impact
The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgment of facts and circumstances may be required to assess whether an entity meets the definition of investment entity.

Effective Jan 1st, 2015

- **IFRS 9 Financial Instruments — Classification and Measurement**
  IFRS 9 for financial assets was first published in November 2009 and was later updated in October 2010 to include financial liabilities. These pronouncements initially required the adoption of the standard for annual periods on or after 1 January 2013. Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 from 1 January 2013 to 1 January 2015.

Key requirements
The first phase of IFRS 9 addresses the classification and measurement of financial instruments (Phase 1). The Board's work on the other phases is ongoing and includes impairment of financial instruments and hedge accounting, with a view to replacing IAS 39 in its entirety. Phase 1 of IFRS 9 applies to all financial instruments within the scope of IAS 39.

Financial assets
All financial assets are measured at fair value at initial recognition.
Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

- All other debt instruments are subsequently measured at fair value.

- All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss.

Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice by instrument for all other equity financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative

separation rules and the criteria for using the FVO.

Transition
The entity may choose to apply the classification and the measurement requirements of IFRS 9 retrospectively, in accordance with the requirements of IAS 8. However, the restatement of comparative period financial statements is not required.
IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. The new disclosures are either required or permitted on the basis of the entity's date of transition and whether the entity chooses to restate prior periods.

Early application of the financial asset requirements is permitted.

Early application of the financial liabilities requirements is permitted if the entity also applies the requirements for financial assets. Early application must be disclosed.

Impact
Phase 1 of IFRS 9 will have a significant impact on:

- The classification and measurement of financial assets
- Reporting for entities that have designated liabilities using the FVO For entities considering early adoption, there are a number of benefits and challenges that should be considered. Careful planning for this transition will be necessary

4 Cash and cash equivalents

Cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash, are subject to insignificant risk of changes in value and whose original maturity is three months or less.
This includes cash on hand, deposit held at call with banks and other short term highly liquid investments which originally matures in three months or less.

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

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

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

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

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

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

b. Loans and receivables

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

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

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

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

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

c. Held to maturity financial assets

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

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

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

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

These are initially recognised as at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of comprehensive income and reported under investment income.

(d) Available-for-sale financial assets

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

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

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

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

5.2 Determination of fair value

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

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

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

5.3 Trade receivables

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

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

5.4 Derecognition

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

6 Reinsurance Assets

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

7 Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

DAC for general insurance are apportioned over the period in which the related revenues are earned.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

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

Deferred expenses-Reinsurance commissions

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

8 Other Receivables and Prepayments

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

9 Investment in Associate

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

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.

The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and noncontrolling interests in the subsidiaries of the associates.

10 Investment Properties

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

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

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

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

However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the Statement of Comprehensive Income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the Statement of Comprehensive Income.
Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in the statement of comprehensive income in the year of retirement or disposal

11 Property, Plant and Equipment

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

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

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

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

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The depreciation method is also reviewed at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment was impaired at 31 December 2013 (31 December 2012).

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.

12. Statutory Deposit

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

13. Intangible Asset

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

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

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

14 Deferred income tax

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

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

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

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

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

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

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
_ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

15 Insurance contracts

Sovereign Trust issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Sovereign Trust defines significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are significantly more than the benefits payable if the insured event did not occur.
These contracts are accident and casualty and property insurance contracts.
Accident and casualty insurance contracts protect the Company's customer against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employee (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public holiday)

Property insurance contract mainly compensate the Company's customer for damage suffered to their properties or for the value of properties lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).
In accordance to IFRS 4, the Company has continued to apply the accounting policies it applied in accordance with the prechange over from Nigerian GAAP.

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

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

16 Insurance Contract Liabilities

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

A **General Insurance Contracts**

Reserves for unearned premium

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

Reserve for outstanding claims

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

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

Reserves for unearned premium

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

B **Liability Adequacy test**

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

17 Financial liabilities

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

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

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

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

Derivatives are also categorized as held for trading, unless designated as an effective hedging instrument.

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

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost.

At reporting date the debt security in issue which is the convertible bond and other liabilities were carried at amortised cost.

18 Trade payables

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

Derecognition of Trade payables

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

19 Other Payables and Accruals

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

20 Employee benefits

The Company operates two retirement benefit schemes in the form of a pension scheme and gratuity benefits scheme. The Company has both defined benefit and defined contribution plans.

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

(a) Pension costs

The Company operates a defined contribution scheme for its staff and is managed by a highly reputable pension fund administrator. Under the scheme, the company contributes 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.

(b) Gratuity benefits

The Company operates a non-contributory defined benefits service gratuity scheme for its employees. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Company. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of Federal Government Bonds of Nigeria as High Quality Corporate bonds are not available.

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

21 Income tax

(a) Current income tax

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

22 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

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

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

23 Contingency Reserves

Non-life business

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

24 Available-for-Sale Reserve

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

25 Gross premium

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

26 Reinsurance Expenses

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

27 Underwriting expenses

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

28 Interest income and expense

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.

29 Dividend income

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

30 Fees and commission income

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

31 Other Income

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

32 Management expenses

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

33 Impairment of financial assets

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

a) Assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interestused to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in Statement of comprehensive Income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the Statement of comprehensive Income.

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

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

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

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

34 Impairment of non-financial assets

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

35 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing.

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included inthe same class of obligations may be small.

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

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

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

36 Comparatives

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

37 Segment reporting

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

38 Earning Per Share

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

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REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF SOVEREIGN TRUST INSURANCE PLC (STI PLC) FOR THE YEAR-ENDED DECEMBER 31, 2013.

DCSL Corporate Services Limited (DCSL) was engaged by the Board of Directors of Sovereign Trust Insurance Plc ("STI Plc"), "the board", to carry out an appraisal of the performance of the Board for the year-ended December 31, 2013. In performing this task, we reviewed the Company's corporate and statutory documents, Board records and other ancillary documents made available to us, administered questionnaires on, interacted with the board members, and relied on the provisions of the National Insurance Commission (NAICOM) and Securities and Exchange Commission (SEC) Codes of Corporate Governance (the Codes), International Best Practices, based on the following key corporate governance considerations:

1. Board Structures and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure.

Our findings indicate a properly constituted Board whose processes are in substantial compliance with the provisions of the Company's Articles of Association, the Board Charter and the Codes of Corporate Governance. STI Plc currently has five (5) Board Committees, all made up of competent members with diverse experience, backgrounds and expertise. The requirements of the Codes regarding composition, quorum, the proceedings and decision-making processes, were adhered to. We found that the Board performed satisfactorily in maintaining oversight of the core corporate governance expectations-viz-Risk Management, supervision of Internal Audit process, monitoring of compliance with regulatory regime, monitoring of operating environment, proactive response to imperatives, monitoring of the performance of management, and reinforcing governance policies.

On the basis of our work, it is our conclusion that the Company's Corporate Governance practices are to a large extent compliant with the key provisions of the Codes.

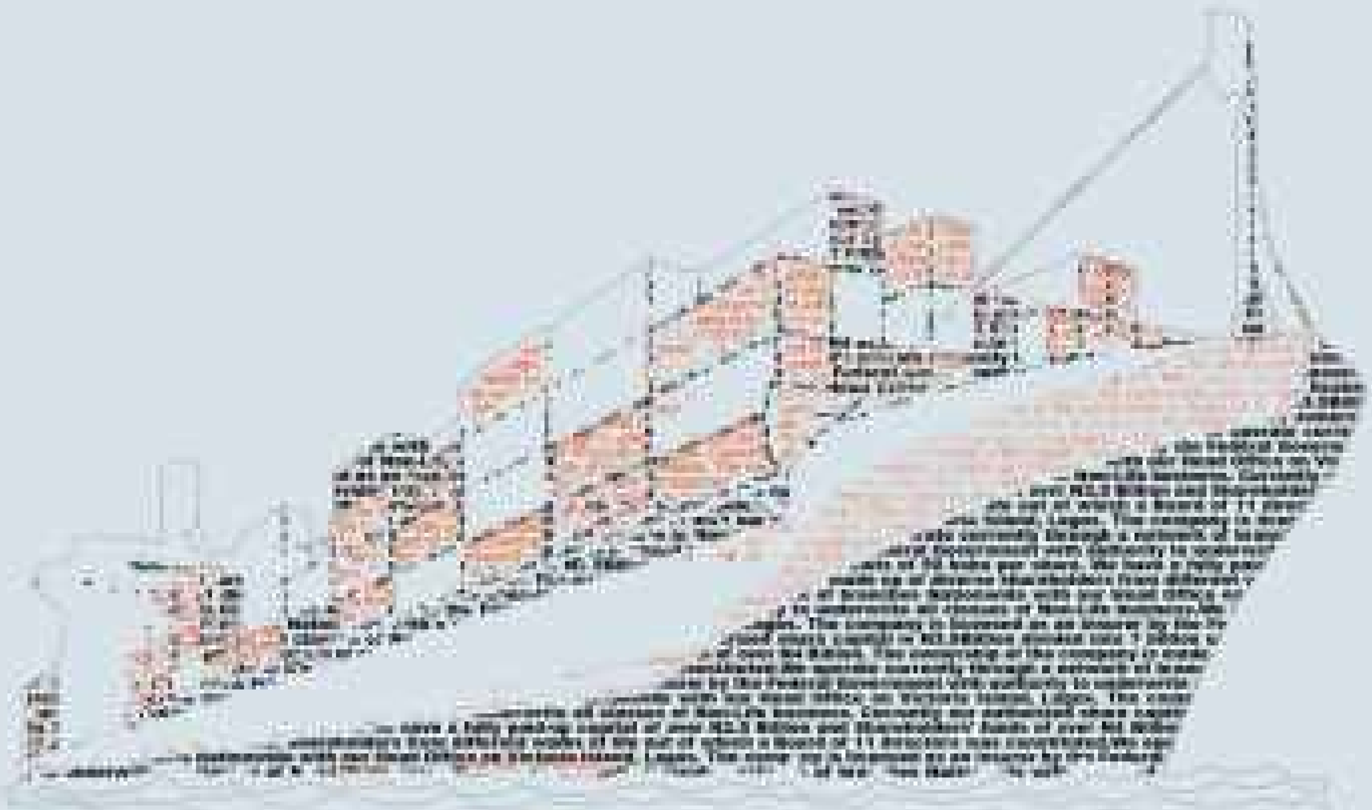
Our recommendations with respect to the areas requiring improvement are contained in our comprehensive report.

Yours faithfully,
For: DCSL Corporate Services Limited

Bisi Adeyemi
Managing Director

DCSL Corporate Services Limited

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



Financials and Notes


Did you know you can get all these benefits from our
Householders / Houseowners'
Insurance policy?
A comprehensive cover against the risks of:
Theft of house contents
Fire and/or Special Perils damage to house contents
Theft of limited amount of cash in the house
Fire and/or Special Perils damage to building (where covered)
Theft, Fire and Special Perils damage to personal effects (including that of domestic servants)
Accidental damage to house contents
Rent for alternative accommodation
Personal liability
SOVEREIGN TRUST INSURANCE PLC

Assets	Notes	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Cash and cash equivalents	1	1,932,889	1,166,795
Financial Assets:			
• Available for sale	2.1	470,192	357,166
• Fair value through profit & loss	2.2	420,560	333,768
• Held to maturity	2.3	30,000	20,000
• Loans and receivable	2.4	90,516	206,353
Trade receivables	3	98,328	1,149,175
Reinsurance assets	4	2,652,287	1,322,312
Deferred acquisition costs	5	548,295	541,467
Other receivables and prepayment	6	184,957	95,421
Investment in Associate	7	50,255	-
Investment properties	8	1,222,022	1,053,030
Property, Plant and Equipment	9	548,586	552,747
Statutory deposits	10	315,000	315,000
Intangible Assets	11	6,201	-
Deferred tax assets	18	79,207	-
Total assets		**8,649,295**	**7,113,234**
Liabilities			
Insurance contract liabilities	12	3,472,833	2,239,625
Debt securities in issue	13	1,066,897	1,007,775
Trade payables	14	177,238	250,559
Other payables & accruals	15	79,657	42,140
Retirement benefit obligations	16	336,442	271,641
Current tax payable	17	32,732	127,506
Deferred tax liabilities	18	-	35,183
Total liabilities		**5,165,799**	**3,974,430**
Equity			
Issued share capital	19	3,435,879	3,435,879
Share premium	20	116,843	116,843
Contingency reserve	21	1,452,632	1,192,422
Retained earnings	22	(1,548,875)	(1,605,880)
Available for Sale Reserve	23	27,018	(460)
Total equity		**3,483,497**	**3,138,804**
Total equity and liabilities		**8,649,295**	**7,113,234**

These accounts were approved by the Board on June 9, 2014 and signed on its behalf by:

Mr. Kayode Adigun (CFO)	Wale Onaolapo (MD/CEO)	Chief Ephraim Faloughi (Chairman)
FRC/2013/ICAN/00000002652	FRC/2013/CIIN/00000002542	FRC/2013/IOD/00000002965

The signicant accounting policies on pages 43 to 68 and the accompanying explanatory notes on pages 77 to 139 form an Integral part of these financial statements.

Statement of Comprehensive Income

	Notes	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Gross premiums written		**8,673,676**	7,742,785
Gross premium income		**7,437,639**	7,502,203
Reinsurance expenses		**(3,128,490)**	(2,881,748)
Net premiums earned	24	**4,309,149**	4,620,455
Fee and commission income	25	**609,504**	374,007
Net underwriting income		**4,918,653**	4,994,462
Claims expenses	26	**(1,751,951)**	(920,434)
Underwriting expenses	27	**(1,281,533)**	(1,589,788)
Underwriting profit		**1,885,169**	2,484,240
Investment income	28	**251,823**	328,233
Net realised losses/gains on investment securities	29	**-**	(35,835)
Other income	30	**63,594**	78,042
Bad debt recovered	31	**159,441**	255,108
Foreign exchange difference	32	**(50,743)**	186,941
Impairments	31a	**(290,471)**	(84,266)
Share of loss in Associate Company	33	**(23,945)**	-
Management expenses	34	**(1,597,294)**	(1,575,558)
		397,574	1,636,905
Finance Cost	35	**(122,715)**	(51,792)
Profit before tax		**274,859**	1,585,113
Income taxes	17	**72,071**	(108,759)
Profit after tax		**346,930**	1,476,354
Other Comprehensive Income			
Amount that can be reclassified to Profit or Loss			
Actuarial gains/(losses) in defined gratuity scheme	36	**(29,715)**	(9,077)
- Unrealised net gains/(losses) arising during the period	37	**27,478**	2,955
Amount that can not be reclassified to Profit or Loss			
- Net reclassification adjustment for realised net losses	38	**-**	(6,313)
Other comprehensive income for the year, net of tax		**(2,237)**	12,435
Total Comprehensive Income for the Year		**344,693**	1,463,920
Basic Earnings Per Share (kobo)	39	**4.00**	23.07

The significant accounting policies on pages 43 to 68 and the accompanying explanatory notes on pages 77 to 139 form an integral part of these financial statements.

	Share capital ₦	Share premium ₦	Retained earnings ₦	Fair value reserve ₦	Contingency reserve ₦	Total equity ₦
At 1 January 2013	3,435,879	116,843	(1,605,880)	(460)	1,192,422	3,138,804
Profit or loss for the period	-	-	346,930	-	-	346,930
Comprehensive Income	-	-	(29,715)	27,478	-	(2,237)
Total comprehensive income	-	-	317,215	27,478	-	344,693
Transaction with owners:						
-Dividend paid	-	-				
Capital raising expenses	-	-				
Transfer to Contingency Reserve			(260,210)		260,210	-
At 31 December 2013	**3,435,879**	**116,843**	**(1,548,875)**	**27,018**	**1,452,632**	**3,483,497**

	Share capital ₦	Share premium ₦	Retained earnings ₦	Fair value reserve ₦	Contingency reserve ₦	Total equity ₦
At 1 January 2012	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
Transaction with owners						
- 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**

Statement of Cash Flows

	Note	31 Dec. 2013	31 Dec. 2012
Operating activities		**₦'000**	₦'000
Premium received from policy holders		**8,647,927**	7,084,915
Reinsurance receipt in respect of claim		**755,833**	200,374
Cash paid to and on behalf of employees		**(794,172)**	(640,703)
Reinsurance premium paid		**(3,128,490)**	(2,881,748)
Other Operating cash payments		**(2,503,414)**	(2,238,604)
Claims paid		**(1,927,622)**	(1,116,497)
Company income tax paid		**(124,359)**	(87,480)
Net cash provided by operating activities	**40**	**925,703**	320,257
Investing activities			
Purchase of Fixed Assets		**(144,213)**	(181,108)
Intangible assets		**(6,201)**	
Purchase of investments		**(139,769)**	(14,679)
Proceed on Sale of Quoted Investments		**121,148**	226,165
Proceed on Sale of Fixed Assets		**1,425**	-
Purchase of investment property		**(168,992)**	(166,033)
Interest received		**117,870**	185,889
Dividends received		**-**	26,212
Net cash inflow/(outflow) in investing activities		**(218,731)**	76,446
Financing activities			
Debt Security		**59,122**	(332,772)
Proceeds from issue of shares		**-**	(28,920)
Dividend paid		**-**	(274,871)
Net cash (outflow)/inflow from financing activities		**59,122**	(636,563)
(Decrease)/Increase in cash and cash equivalents		**766,093**	(239,859)
Cash and cash equivalents at January 1,		**1,166,795**	1,406,654
Cash and cash equivalents at December 31,		**1,932,889**	1,166,795
Cash and cash equivalents at end of year comprises			
Cash and cash equivalents		**1,932,889**	1,166,795
Book overdraft		**-**	-
	40a	**1,932,889**	1,166,795

The significant accounting policies on pages 43 to 68 and the accompanying explanatory notes on pages 77 to139 form an integral part of these financial statements.

1 Cash and cash equivalents	**Dec. 2013**	Dec. 2012
	₦'000	₦'000
Cash	**8,252**	10,691
Local bank balances	**958,872**	234,818
Short term deposit and placements	**965,765**	921,286
	1,932,889	1,166,795

2 Financial Assets:	**Dec. 2013**	Dec. 2012
	₦'000	₦'000
Available for sale	**470,192**	357,166
Fair value through profit & loss	**420,560**	333,768
Held to maturity	**30,000**	20,000
Loans and receivable	**90,516**	206,353
	1,011,267	917,287
Current	**560,708**	563,519
Non-current	**450,560**	353,768
	1,011,267	917,287

2.1 Available for sales	**Dec. 2013**	Dec. 2012
Debt securities	**₦'000**	₦'000
Treasury bills	**-**	57,731
FGN bonds	**-**	20,000
Placements with banks and other financial institutions	**274,190**	128,318
Managed fund	**92,481**	63,455
	366,671	269,504
Equity securities		
Quoted equity securities at fair value	**-**	-
Unquoted equity securities at fair value	**103,520**	87,662
	470,192	357,166

The fair value of unquoted equities was based 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 managed fund represents cash balance held in the stockbrokerage account as at 31st December, 2013. such funds are held for the purpose of trading in quoted shares on the Nigerian Stock Exchange.

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
2.2	**Fair value through profit and loss**		
	Quoted equity securities at fair value	**420,560**	333,768

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

2.3	**Held to maturity**		
	State bonds at amortized cost	**30,000**	20,000
2.4	**Loans and Receivables**		
	Mortgage loan	**53,968**	80,658
	Loans to organisation	**36,549**	65,000
	Managed fund	**-**	60,695
		90,516	206,353

The sum of ₦60,695,000 outstanding in managed fund as at December 31 2012 represented cash balance in our stock brokerage account and the fund has been utilised to acquire quoted equity securities in the course of year 2013 and now fair valued through profit or loss

3	**Trade Receivable**		
	Amount due from Insurance Brokers and Agents	**2,595,574**	3,706,232
	Due from Insurance Companies	**-**	99,629
		2,595,574	3,805,861
	Less provision for impairment of receivables from Brokers and Agents	**(2,497,245)**	(2,656,686)
		98,328	1,149,175

3.1	**Mov. in Prov. for impair. of receive. from Brok. and Agents**	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
	As at January 1,	**2,656,686**	2,827,527
	Charge during the year	**-**	84,267
	Provision no longer required	**(159,441)**	(255,108)
	As at December 31	**2,497,245**	2,656,686

Provision no longer required of ₦159,441,000 represents amount recovered from trade receivable from brokers which has been earlier provided for in previous years.

3.2	Analysis of Trade Receivables	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
	Brokers	**2,595,574**	2,829,781
	Government Accounts	**-**	264,075
	Agents	**-**	612,376
	Insurance Companies	**-**	99,629
		2,595,574	3,805,861

3.3	Movement in Trade Receivable	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	At 1 January	**1,149,175**	561,045
	Gross premium written	**8,673,676**	7,742,785
	Premium Received	**(9,724,523)**	(7,154,655)
	At 31 December	**98,328**	1,149,175

3.4	Analysis of Premium Received		
	Prior year	**1,149,175**	561,045
	Current Year	**8,575,348**	6,593,610
		9,724,523	7,154,655

3.5	The age analysis of trade receivable	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Under 90 days	**98,328**	1,181,682
	91-180 days	**-**	733,663
	Above 180 days	**-**	1,890,516
		98,328	3,805,861

4	Reinsurance assets	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Reinsurance Recoverable (4.1)	**642,344**	623,120
	Prepaid Reinsurance (4.2)	**2,009,943**	699,192
		2,652,287	1,322,312

4.1	Reinsurance Recoverable	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Opening Balance	**623,120**	502,206
	Change in reinsurance recoverable	**19,224**	120,914
		642,344	623,120

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 Prepaid Reinsurance	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Opening Balance	**699,192**	-
Change in prepaid reinsurance	**1,310,751**	699,192
	2,009,943	699,192
Current	**2,009,943**	699,192
Non-current	**-**	-
	2,009,943	699,192

Reinsurance cost by class	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Motor	**7,481**	68,773
Fire and property	**62,785**	38,634
Marine and aviation	**28,470**	45,180
General Accident	**31,860**	62,470
CAR/Engineering	**44,534**	13,822
Energy	**1,834,813**	470,313
	2,009,943	699,192

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:

Opening balance	**541,467**	266,962
Deferred during the year	**1,046,903**	1,533,944
Charged during the year	**(1,040,075)**	(1,259,439)
	548,295	541,467

5.1 Deferred acquisition costs by class	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Motor	**109,128**	119,074
Fire and property	**64,230**	70,084
Marine and aviation	**59,170**	64,563
General Accident	**102,326**	111,653
CAR/Engineering	**40,425**	44,109
Energy	**173,017**	131,984
	548,295	541,467

6	Other Receivables & prepayments	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Staff debtors	1,751	2,333
	Prepayments	122,298	93,088
	Other advance payment	60,907	-
	Total other debtors and prepayments	184,957	95,421

Other advance payment of N60,907,000 represents advance interest payment on JPY 846,000,000 Daewoo Loan

7	Investment in Associate		
	Investment in STI Leasing	74,200	
	Share of loss in STI Leasing	(23,945)	
		50,255	-

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

8	Investment property	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Opening carrying amount	1,053,030	860,311
	Additions during the year	148,325	166,033
	Disposals during the year	-	-
	Fair value gain	20,666	26,686
	Balance at the end of the year	1,222,022	1,053,030

8a	Investment Properties	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	May fair gardens	28,000	27,107
	Royal gardens Estate	50,000	48,608
	Damac Properties	93,431	93,431
	Ibeshe properties	42,732	41,324
	Agbara Estate properties	203,707	62,500
	Lekki properties	20,260	35,259
	Sunrise Estate Ipaja	37,000	37,000
	Solteby Apartment	20,000	-
	Investment Properties along Epie Swali Road Yenagoa	42,800	32,250
	Investment Properties in Emerald court Victoria Island	117,000	110,000
	Investment Properties at Alagbaka Junction Akure	280,464	274,550
	Investment Properties along Awolowo Road Ikoyi	250,000	256,000
	Investment Properties old Yaba Road	36,628	35,000
		1,222,022	1,053,030

The above are investments in land & Buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operation of the company.

This is carried in the financial position at their market value and revalued periodically on systematic basis every year.
Investment properties are stated at fair value, which has been determined based on valuations performed by Jide Taiwo & Co. with FRC registration number (FRC/2012/00000001254), J. Ajay Patunola & Co with registration number FRC/2012/00000000679, Osato Osawaya & Co with registration number FRC/2013/NIESV/00000004002 and Gerry Ikputu & Partners with registration number FRC/2013/NIESV/00000001685 ,the estate surveyors and valuers/project managers as at December 2013 and 2012

The valuers are the industry specialists in valuing these types of investment properties.

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

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

Notes to the Financial Statements

9. Property, plant and equipment

	Land	Buildings	Leasehold improvement	Office equipment	Furniture & fittings	Computer equipment	Motor vehicles	Plant & machinery	Total
Cost	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2013	67,302	231,682	109,534	70,201	95,726	172,458	730,737	42,125	1,519,765
Additions	-	-	8,752	4,799	12,871	11,061	92,615	14,114	144,213
Reclassifications	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(600)	(140)	-	(21,033)	-	(21,773)
At 31 December 2013	**67,302**	**231,682**	**118,286**	**74,400**	**108,457**	**183,519**	**802,319**	**56,239**	**1,574,903**
Accumulated depreciation									
At 1 January 2013	-	(40,249)	(37,376)	(66,818)	(73,179)	(171,113)	(556,214)	(22,069)	(967,018)
Charge for the year	-	(2,703)	(6,900)	(3,695)	(9,490)	(5,908)	(114,756)	(4,921)	(148,373)
Disposals	-			600	140		21,033		21,773
At 31 December 2013	**-**	**(42,952)**	**(44,276)**	**(69,913)**	**(82,529)**	**(177,021)**	**(649,937)**	**(26,990)**	**(1,093,619)**
Net book amount at 31 December 2013	**67,302**	**188,730**	**74,010**	**4,487**	**25,928**	**6,497**	**152,382**	**29,249**	**548,586**
Net book amount at 31 December 2012	67,302	191,433	72,158	3,383	22,547	1,345	174,523	20,056	552,747
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
Reclassification	-	-	-	(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)
Charge for the year	-	(22,424)	(8,215)	(10,580)	(10,725)	(33,198)	(121,790)	(4,739)	(211,671)
Reclassification	-	-	-	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**
Net book amount at 1 January 2012	-	281,159	73,796	9,122	26,231	17,652	153,480	21,870	583,310

10 Statutory deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2013 (31 December, 2012 : ₦315,000,0000, in accordance with section 9(1) and section 10(3) of Insurance Act 2003. Statutory deposits are measured at cost.

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Statutory deposit	**315,000**	315,000

11. Intangible Assets

Computer Software

Cost	**₦'000**	₦'000
Opening Balance	**-**	-
Additions during the year	**9,296**	-
Closing Balance	**9,296**	-
Amortisation		
Opening Balance	**-**	-
Amortisation	**3,096**	-
Closing Balance	**3,096**	-
Carrying amount	**6,201**	-

12 Insurance contract liabilities

Outstanding reported claims	**901,866**	284,241
Incurred But Not Reported (IBNR)	**211,090**	831,543
Total Outstanding Claim (Note 12a)	**1,112,956**	1,115,784
Unearned premium provision (Note 12b)	**2,359,878**	1,123,841
	3,472,833	2,239,625
Current	**3,472,833**	2,239,625
Non-current	**-**	-
	3,472,833	2,239,625

12a Outstanding Claims Reserve	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
As at January 1	**1,115,784**	1,087,690
change in estimate of the prior year OCR	**(2,828)**	28,094
As at December 31	**1,112,956**	1,115,784

12b Unearned Premium provision	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
At the beginning of he year	**1,123,841**	883,259
Gross Premium written	**8,673,676**	7,742,785
Gross Premium Earned	**(7,437,639)**	(7,502,203)
	2,359,878	1,123,841

12c Liabilities as Per Class of Business	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Outstanding Claim		
Motor Vehicle	**183,900**	130,072
Fire and property	**166,907**	83,856
Marine & Aviation	**176,901**	45,547
General Accident	**141,121**	143,188
C. A. R Engineering	**20,824**	63,215
Energy	**423,302**	649,906
	1,112,956	1,115,784

12d Unearned premium provision	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Motor vehicle	**71,769**	361,632
Fire and property	**75,650**	108,250
Marine & Aviation	**48,711**	98,707
General Accident	**52,274**	247,672
C. A. R Engineering	**52,071**	104,373
Energy	**2,059,402**	203,207
	2,359,877	1,123,841

12e Allocation of Assets to Policy holder	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Cash and cash equivalent	**1,773,729**	941,783
Financial Assets	**535,135**	414,885
Investment Properties	**196,732**	426,061
Reinsurance Assets	**2,652,287**	623,120
	5,157,883	2,405,850
	3,472,833	2,239,625
12f Cash and cash equivalent		
Policy holders Fund	**1,773,729**	941,783
Share holders Fund	**159,160**	225,012
	1,932,889	1,166,795
12g Available for sale		
Policy holders Fund	**218,279**	205,662
Share holders Fund	**251,913**	151,504
	470,192	357,166

		Dec. 2013	Dec. 2012
12h	**Fair value through profit or loss**	**₦'000**	₦'000
	Policy holders Fund	**316,857**	209,223
	Share holders Fund	**103,703**	124,545
		420,560	333,768
12i	**Held to maturity**		
	Policy holders Fund	**-**	-
	Share holders Fund	**30,000**	20,000
		30,000	20,000
12j	**Loans and Receivables**		
	Policy holders Fund	**-**	-
	Share holders Fund	**90,516**	125,695
		90,516	125,695
12k	**Investment Properties**		
	Policy holders Fund	**196,732**	426,061
	Share holders Fund	**1,025,290**	626,969
		1,222,022	1,053,031
12l	**Investment in Associate Company**		
	Policy holders Fund	**-**	-
	Share holders Fund	**50,255**	-
		50,255	-

		Dec. 2013	Dec. 2012
13	**Debt securities in issue**	**₦'000**	₦'000
	As at January 1	**1,007,775**	1,523,877
	Redemptions	**(154,028)**	(332,772)
	Changes in interest and exchange rate in Bonds Obligation	**162,407**	-
	Interest expense	**-**	51,792
	Exchange differences	**50,743**	(235,122)
	As at December 31	**1,066,897**	1,007,775

This represents zero coupon JPY846,000,000 direct, unconditional, unsubordinated and unsecured European Bond with options issued to Daewoo securities Europe Limited in 2008.

The underlying Bond has a put period of 30 months with a yield to put of 4.25% per annum while the tenor of the convertible option is valid up to year 2024. The purpose for which the Bond was issued relates to Expansion of Branch Network, Upgrade of Information and Communication Technology and Working Capital.

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

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

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.

14.. Trade Payables	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Due to reinsurers	**152,668**	200,437
Due to insurance companies	**24,570**	50,122
	177,238	250,559

15 Other Payables	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Lease creditors	**23,369**	11,006
Accrued expenses	**12,592**	8,974
Sundry creditors	**43,697**	22,160
	79,657	42,140

16 Retirement benefit obligations

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

	Dec. 2013	Dec. 2012
Consolidated statement of financial position obligation for:	₦'000	₦'000
Staff Gratuity Plan	**336,442**	271,641
Income statement charge for:		
• Staff Gratuity Plan	**40,696**	32,913

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

16a Staff Gratuity Plan

The amounts recognized in the balance sheet are determined as follows:

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Present value of funded obligations	**271,642**	229,651
Fair value of plan assets	**64,800**	41,990
Present value of unfunded obligations	**336,442**	271,641
Unrecognized past service cost	**-**	-
As at December 31	**336,442**	271,641

The movement in the defined benefit obligation over the year is as follows:	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
As at January 1	**271,641**	229,651
Current service cost	**20,046**	16,320
Interest cost	**20,650**	16,593
Employee contributions	**-**	-
Actuarial losses/(gains)	**42,450**	9,077
Past service cost	**-**	-
Benefits paid	**(18,345)**	-
Settlements	**-**	-
As at December 31	**336,442**	271,641

The amounts recognized in the income statement are as follows:	**Dec. 2013 ₦'000**	Dec. 2012 ₦'000
Current service cost	**20,046**	16,320
Interest cost	**20,650**	16,593
Past service cost	**-**	-
Total, included in staff costs	**40,696**	32,913

The principal actuarial assumptions were as follows:		
Average long term discount rate (p.a.)	**14%**	13%
Average long term rate of inflation (p.a.)	**9%**	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%

17 Taxation	Dec. 2013	Dec. 2012
Income tax expense	₦'000	₦'000
Company income tax	**15,261**	83,958
Education Tax	**4,652**	31,702
IT Development Levy (NITDA)	**2,966**	15,851
Total current tax	**22,879**	131,511
Deferred tax		
Origination and reversal of temporary differences	**(94,950)**	(22,753)
Impact of change in tax rate	**-**	
Amount of previously unused tax losses	**-**	-
Write down or reversal of deferred tax assets	**-**	
Total deferred tax	**(94,950)**	(22,753)
Income tax expense	**(72,071)**	108,759

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

Profit before income tax	**274,859**	1,585,113
Tax calculated at the corporate tax rate	**82,458**	336,560
Effect of:		
Non-deductible expenses	**-**	33,881
Education tax levy	**4,652**	31,702
IT Development Levy (NITDA)	**2,966**	15,851
Tax exempt income	**(162,147)**	(308,470)
Tax incentives	**-**	(765)
Tax loss effect	**-**	-
(Over) / under provided in prior years	**-**	-
Total income tax expense in income statement	**(72,071)**	108,759

The current tax charge has been computed at the applicable rate of 30% (31 December 2012: 30%) plus education levy of 2% (31 December 2012: 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:	Dec. 2013 ₦'000	Dec. 2012 ₦'000
As at January 1	**127,506**	83,475
Tax paid	**(124,359)**	(87,480)
Income tax charge	**29,584**	131,511
As at December 31	**32,732**	127,506
Current	**32,732**	127,506
Non-current	**-**	-
	32,732	127,506

18 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% for 2013 and 2012 respectively.

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

	Dec. 2013	Dec. 2012
Deferred tax liabilities	**₦'000**	₦'000
Fixed assets	**(35,183)**	(116,675)
	(35,183)	(116,675)
Deferred tax assets		
Defined benefit obligation	**114,390**	81,492
	114,390	81,492
As at December 31	**79,207**	(35,183)

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Net deferred tax asset/(liability)	**79,207**	(35,183)
Deferred tax assets		
To be recovered after more than 12 months	**114,390**	81,492
To be recovered within 12 months	**-**	-
	114,390	81,492
Deferred tax liabilities		
To be recovered after more than 12 months		-
To be recovered within 12 months	**-**	(116,675)
	-	(116,675)

Movements in temporary differences during the year:	1 Jan. 2013	Recognized in P&L	Recognized OCI	31 Dec. 2013
	₦'000	₦'000	₦'000	₦'000
Fixed assets	**(116,675)**	176,442	-	59,767
Defined benefit obligation	**81,492**	(62,052)	-	19,440
	(35,183)	114,390	-	79,207

Movements in temporary differences during the year:	Recognized 1 Jan. 2012	Recognized in P&L	OCI	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Fixed assets	**(126,830)**	**10,155**	**-**	**(116,675)**
Employee benefits	**68,895**	**12,597**	**-**	**81,492**
	(57,935)	**22,752**	**-**	**(35,183)**

19. **Share capital**	**Dec. 2013**	Dec. 2012
Authorized	**₦'000**	₦'000
10,000,000,000 Ordinary Shares of 50k each	**5,000,000**	3,500,000
Issued and fully paid		
6,871,757,394 Ordinary Shares of 50k each	**3,435,879**	3,435,879
Movements during the period:		
As at January 1	**3,435,879**	3,435,879
Rights issue of 1,668,000,128 Ordinary Shares of 50k each	**-**	-
As at December 31	**3,435,879**	3,435,879
20 **Share premium**		
As at January 1	**116,843**	145,763
Share raising expenses	**-**	(28,920)
As at December 31	**116,843**	116,843

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

	Dec. 2013	Dec. 2012
21 Contingency reserve	**₦'000**	₦'000
As at January 1	**1,192,422**	960,138
Transfer from retained earnings	**260,210**	232,284
As at December 31	**1,452,632**	1,192,422

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

22	Retained earnings	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	As at January 1	**(1,605,880)**	(2,566,003)
	Statement of comprehensive income	**346,930**	1,476,355
	Other comprehensive income	**(29,715)**	(9,077)
	Dividend paid	**-**	(274,871)
	Transfer to contingency reserve	**(260,210)**	(232,284)
	As at December 31	**(1,548,875)**	(1,605,880)

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

23	Available for sale reserve	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	As at 1 Jan	**(460)**	2,898
	Transfer from other comprehensive income	**27,478**	(3,358)
		27,018	(460)

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

24	Net premium income	Dec. 2013 ₦'000	Dec. 2012 ₦'000
	Gross premium written	**8,673,676**	7,742,785
	Provision for unearned premium (Note 24a)	**(1,236,037)**	(240,582)
	Gross premium income	**7,437,639**	7,502,203
	Reinsurance cost (Note 24b)	**(3,128,490)**	(2,881,748)
		4,309,149	4,620,455
24a	**Increased in unearned premium**		
	Motor	**106,938**	44,932
	Fire and property	**87,136**	29,412
	Marine & Aviation	**79,670**	26,636
	General Accident	**90,120**	42,056
	C.A.R and Engineering	**65,365**	21,562
	Energy	**806,808**	75,984
		1,236,037	240,582
24b	**Reinsurance cost**		
	Motor	**25,560**	17,489
	Fire and property	**200,820**	342,562
	Marine & Aviation	**199,521**	222,479
	General Accident	**256,010**	474,029
	C.A.R and Engineering	**76,859**	172,721
	Energy	**2,369,720**	1,652,468
		3,128,490	2,881,748

25 Fee and commission income

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

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Motor	**376**	790
Fire and property	**70,743**	41,003
Marine & Aviation	**55,583**	31,949
General Accident	**85,356**	52,163
C.A.R and Engineering	**39,666**	11,732
Energy	**357,781**	236,370
	609,505	374,007

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
26 Claims expenses		
Current year claim paid	**1,927,622**	1,116,497
Outstanding Claim	**580,163**	82,265
	2,507,784	1,198,762
Recoverable from reinsurer	**(755,833)**	(278,328)
	1,751,951	920,434
27 Underwriting expenses		
Acquisition cost -Commission paid	**1,040,075**	1,259,439
Maintenance cost	**241,459**	330,349
	1,281,533	1,589,788
28 Investment income		
Interest income	**117,870**	186,962
Dividend from Quoted investments	**12,805**	26,212
Stock Trading Income	**121,148**	115,059
	251,823	328,233

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.

28a Allocation of Investment Income	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Policy holders Fund	**184,494**	180,453
Share holders Fund	**67,329**	147,780
	251,823	328,233

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
29.	**Net Realised Loss/gains**	**-**	(35,835)

This represent loss or gain on unquoted investment

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
30.	**Other operating income**		
	Profit on sale of fixed assets	**1,425**	570
	Rental income	**30,456**	23,061
	Fair value gain on investment properties	**20,666**	26,686
	Other incomes	**11,047**	27,725
		63,594	78,042
31.	**Bad debt recovered**	**159,441**	255,108

This represents amount recovered from previously written off debt.

		Dec. 2013	Dec. 2012
31a.	**Impairments**		
	Bad debt written off	**128,064**	84,266
	Other Investment written off	**-**	-
	Changes in Interest and Exchange rate in Bonds obligation	**162,407**	-
		290,471	84,266
32.	**Foreign Exchange Difference**	**50,743**	186,941

These are gains or loss arising from applying effective rate zero coupon bond

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
33.	**Share of loss in Associate Company**		
	Associate loss	**(55,686)**	-
	Share of Associate Loss (43%)	**(23,945)**	-

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
34.	**Management Expenses**		
	Auditors Remuneration	**7,500**	5,000
	Employee Benefits (34a)	**794,172**	640,703
	Other Management Expenses (34b)	**647,248**	718,177
	Depreciation (34c)	**148,373**	211,678
		1,597,293	1,575,558

		Dec. 2013	Dec. 2012
34a	**Employee Benefits**	**₦'000**	₦'000
	Salaries	**760,523**	567,331
	Defined contribution pension costs	**19,389**	52,959
	Defined benefit retirement gratuity costs	**14,260**	20,413
		794,172	640,703
34b	**Other Management Expenses**		
	Travel and Representation	**32,356**	35,051
	Advertising	**112,826**	81,108
	Bank Charges	**58,842**	60,085
	Occupancy Expenses	**38,208**	33,620
	Communication and Postages	**18,622**	14,612
	Data Processing	**19,516**	19,314
	Office Supply and Stationery	**19,581**	21,634
	Fees and Assessments	**93,170**	104,220
	Furniture, Equipments and Miscellaneous Expenses	**254,127**	348,530
		647,248	718,177
34c	**Depreciation expense**	**148,373**	211,678
35	**Finance Cost**	**122,715**	51,792
	Finance cost represents interest paid on zero coupon rate bond.		
36	**Actuarial losses in defined gratuity scheme**	**(29,715)**	(9,077)

		Dec. 2013	Dec. 2012
		₦'000	₦'000
37	**Unrealised gains/ losses)**	**27,478**	2,955

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

		Dec. 2013 ₦'000	Dec. 2012 ₦'000
38.	**Net Reclassification adjustment**	-	(6,313)

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.

39. Earnings per share

Basic

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

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Profit/(loss) of the Company	**274,859**	1,585,113
Weighted average number of ordinary shares in issue (in thousands)	**6,871,757**	6,871,757
Basic earnings per share (expressed in Kobo per share)	**4.00**	23.07

Diluted

There is no dilution of earnings per share.

40 Reconciliation of Operating Profit/(Loss) before Tax to cash Generated from Operations

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Profit before income tax	**274,859**	1,585,113
Adjust. to recon. net profit/(loss) to net cash provided/(utili)		
Loss/(profit on sale of fixed assets	**(1,425)**	(570)
Trading income	**(121,148)**	(115,059)
Depreciation	**148,373**	211,671
Interest income	**(117,870)**	(186,962)
Interest expense		51,792
Foreign exchange (gains)/losses	**-**	(186,941)
Fair value gain on investment property	**-**	(26,686)
Net deferred tax asset/(liability)	**15,743**	-
Changes in working capital		
Trade receivables	**1,050,847**	(588,130)
Creditors and accruals	**(70,987)**	31,758
Outstanding claims	**(2,828)**	-
Other debtors and prepayments	**(89,536)**	10,744
Retirement benefit obligation	**64,801**	41,990
Deferred acquisition cost	**(6,828)**	(274,506)
Reinsurance assets	**(1,329,975)**	(415,153)
Unearned premium	**1,236,037**	268,676
Taxation paid	**(124,359)**	(87,480)
Cash generated from operations	**925,704**	320,257

40a Cash and Cash Equivalents For purpose of cash flow statement

	Dec. 2013 ₦'000	Dec. 2012 ₦'000
Cash and Cash Equivalents	**967,124**	245,509
Short term deposit and placements-Local	**965,765**	921,286
	1,932,889	1,166,795

41 Contingent liabilities and commitments

Legal proceedings

As at year end there was no unsettled legal proceedings

42 Related party transactions

Sovereign Trust is wholly owned by Nigerian citizens and have no subsidiaries.
The following transactions were carried out with related parties.

	Dec. 2013	Dec. 2012
(a) Sales of insurance contracts and other services	**₦'000**	₦'000
Sales of insurance contracts		
- Key management personnel	-	-
- Related entities	-	-
Sales of services		
- Key management personnel	-	-
- Related entities		
	-	-
(b) Purchases of products and services		
- Key management personnel	-	-
- Related entities		
	-	-
(c) Key management compensation		
Chairman and Directors Emoluments		
Fees:		
Chairman	**800**	800
Other Directors	**4,200**	3,600
	5,000	4,400
As executive	**36,742**	20,065
	41,742	24,465
The highest paid director	**20,065**	20,065

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

	Number	Number
₦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**	25,809

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

43 Employees

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

	Number Dec, 2013	Number Dec, 2012
Executive directors	**2**	1
Management	**21**	20
Non-management	**156**	147
	179	168

The staff costs for the above persons were:	**Dec. 2013**	Dec. 2012
	₦'000	₦'000
Salaries and wages	**760,523**	567,331
Other	**-**	-
Staff gratuity	**14,260**	20,413
Staff pension	**19,389**	16,647
	794,172	604,391

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, 2013	Number 31Dec, 2012
₦300,001 - ₦400,000	**4**	2
₦400,001 - ₦500,000	**10**	9
₦500,001 - ₦600,000	**5**	3
₦600,001 - ₦700,000	**11**	7
₦800,001 - ₦900,000	**13**	10
₦900,001 - ₦1,000,000	**23**	22
₦1,000,001 - ₦1,100,000	**17**	15
₦1,100,001 - ₦1,200,000	**21**	21
₦1,200,001 - ₦1,300,000	**10**	12
₦1,300,001 - ₦1,400,000	**13**	17
₦1,400,001 - ₦1,500,000	**15**	12
₦1,500,001 - ₦2,000,000	**10**	11
₦2,000,001 - ₦3,000,000	**8**	8
₦3,000,001 and above	**19**	19
	179	168

44 Events after statement of financial position date

The directors are of the opinion that there is no event that will significantly affect the financial statements after the reporting date except ₦1,100,000 which is penalty levied against the company by Nigerian Stock Exchange for late submission of 2013 financial Statements. This will be reflected in 2014 financial statements.

Premium as Per Class of Business

45 Segment results 31 December 2013	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	1,331,860	809,333	692,141	1,089,652	248,330	4,417,457	8,588,772
Inward premium	27,047	14,599	20,031	6,188	14,274	2,764	84,904
Gross Premium written	**1,358,907**	**823,932**	**712,172**	**1,095,839**	**262,604**	**4,420,222**	**8,673,676**
Increase in Unexpired Risk	(106,938)	(87,136)	(79,670)	(90,120)	(65,365)	(806,808)	(1,236,037)
Gross premium earned	**1,251,969**	**736,796**	**632,502**	**1,005,719**	**197,239**	**3,613,414**	**7,437,639**
Reinsurance Cost	(25,560)	(200,820)	(199,521)	(256,010)	(76,859)	(2,369,720)	(3,128,490)
Net premium earned	**1,226,409**	**535,977**	**432,981**	**749,709**	**120,380**	**1,243,694**	**4,309,149**
Commission received	376	70,743	55,583	85,356	39,666	357,781	609,504
Total income	**1,226,784**	**606,720**	**488,564**	**835,065**	**160,046**	**1,601,474**	**4,918,653**
Direct claims paid	453,945	221,058	235,805	265,533	34,494	716,787	1,927,622
Incr./(Decr.) in Outstanding Claims	68,115	16,322	12,763	17,422	1,150	464,390	580,163
Gross Claims Incurred	522,059	237,380	248,568	282,955	35,644	1,181,177	2,507,784
Reinsurance recovery	(31,137)	(126,790)	(142,994)	(187,960)	(19,868)	(247,085)	(755,833)
Net Claims Incurred	490,923	110,590	105,574	94,996	15,777	934,092	1,751,951
Acquisition costs	238,659	202,533	138,054	256,517	65,840	138,471	1,040,075
Maintenance costs	33,212	11,267	16,819	21,245	11,012	147,904	241,459
Total expenses	762,793	324,390	260,448	372,757	92,629	1,220,467	3,033,485
Underwriting profit	**463,991**	**282,329**	**228,116**	**462,308**	**67,417**	**381,008**	**1,885,168**

Premium as Per Class of Business

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	26,895
Gross Premium written	**1,562,672**	**878,056**	**808,321**	**1,152,859**	**477,602**	**2,863,274**	**7,742,785**
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**	**7,502,203**
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**	**4,994,462**
Direct claims paid	352,043	156,375	76,543	267,547	77,708	186,281	1,116,497
Incr./(Decr.) 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**

46. Claim Development Table

The claims data has six risk groups - Marine, Motor, Casualty, Fire, Personal Accident, Oil and Gas and Workmen Compensation.
The combined claims data for all lines of business between 2007 and 2013 are summarized in the table below;

Incremental Chain Ladder - Yearly Projections (₦)							
Accident Year	1	2	3	4	5	6	7
2007	283,808,079	218,454,304	38,770,836	6,219,139	1,872,360	406,161	1,341,561
2008	429,955,263	216,788,763	53,176,207	9,092,685	4,115,533	3,691,251	-
2009	297,746,922	387,193,217	94,475,369	52,219,117	13,609,258	-	-
2010	359,967,073	442,922,023	146,487,462	284,300,952	-	-	-
2011	465,179,327	400,397,983	144,759,346	-	-	-	-
2012	405,403,050	720,365,344	-	-	-	-	-
2013	542,576,248	-	-	-	-	-	-

Premium Data
The premium data received have been compared with the revenue account as at 31st December, 2013. This certifies the accuracy of the data used in computing unearned risk premium. The table below presents the distribution of premiums by class of business.

Financial Accounts compared with Gross Premium Date

Class of Business	Gross Premium - Data	Gross Premium- Data
Accident	1,092,579,932	1,092,579,932
Engineering	279,550,775	279,550,775
Fire	835,645,014	835,645,014
Marine	698,173,586	698,173,586
Motor	1,367,874,140	1,367,874,140
Oil and Gas	4,417,457,217	4,417,457,217
Total	**8,691,280,664**	**8,691,280,664**

Financial Accounts compared with Reinsurance Premium Date

Class of Business	Ceded Premium - Data (₦)	Ceded Premium - Data (₦)
Accident	225,572,661	225,572,661
Engineering	94,390,905	94,930,905
Fire	186,191,230	186,191,230
Marine	152,626,937	152,626,937
Motor	-	27,860,000
Oil and Gas	3,384,315,957	3,532,138,944
Total	**4,043,097,690**	**4,219,320,677**

Claim Development Table

Basic Chain Ladder Method - Motor Claims

The claims paid are allocated to claim development years as illustrated below. Of the claims that arose in 2007, ₦161.22 million was paid in 2007 (development year 1), ₦116.72 million in 2008 (development year 2) etc.

Incremental Chain Ladder

Incremental Chain Ladder - Yearly Projections (₦)							
Accident Year	1	2	3	4	5	6	7
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	800,000	-
2009	181,552,201	146,736,420	15,858,377	800,963	703,896	-	-
2010	225,016,084	122,872,249	10,142,714	692,973	-	-	-
2011	292,165,155	126,132,960	8,334,531	-	-	-	-
2012	209,065,512	153,519,616	-	-	-	-	-
2013	253,324,617	-	-	-	-	-	-

This table illustrates that ₦161.22 million of the claims arising were paid in the 2007. At the end of 2008, the total claim payments arising from accidents in 2007 was ₦227.94 million, this increased to ₦282.42 million in 2009 etc.

Cumulative Data

Cumulative Chain Ladder (₦)							
Accident Year	1	2	3	4	5	6	7
2007	161,219,903	277,936,462	282,421,914	282,732,981	282,781,529	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	345,651,857	-	-
2010	225,016,084	347,888,333	358,031,041	358,724,021	-	-	-
2011	292,165,155	418,298,114	426,632,645	-	-	-	-
2012	209,065,512	362,585,128	-	-	-	-	-
2013	253,324,617	-	-	-	-	-	-
Loss dev factors	**-**	**1.625**	**1.032**	**1.004**	**1.004**	**1.001**	**1.000**

We then cumulate the data summing up the claims arising from each accident year and arrived at 1.625 in year 1. Similarly, the cumulative ratio of total claims paid at the end of year 3 to 2 is **1.032.**

Notes to the Financial Statements (cont'd)

Claim Development Table

Projected Table

Accident Year	Cumulative Development Pattern- Annual Projections (₦)					
	1	2	3	4	5	6
2007	161,219,903	277,936,462	282,421,914	282,732,981	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	345,651,857	346,128,213
2010	225,016,084	347,888,333	358,031,041	358,724,021	360,158,917	360,655,265
2011	292,165,155	418,298,114	426,632,645	428,368,397	430,081,870	430,674,582
2012	209,065,512	362,585,128	374,012,806	375,534,475	377,036,612	377,556,221
2013	253,324,617	411,548,088	424,518,943	426,246,095	427,951,079	428,540,855

Unwinding the cumulative projections from table above, we expect claims projections to be made till 2018 as follows;

Accident Year	Non-Cumulative Development Pattern- Annual Projection (₦)						
	1	**2**	**3**	**4**	**5**	**6**	**7**
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	476,356	-
2010	-	-	-	-	1,434,896	496,348	-
2011	-	-	-	1,735,752	1,713,474	592,712	-
2012	-	-	11,427,678	1,521,668	1,502,138	519,608	-
2013	-	158,223,471	12,970,855	1,727,152	1,704,984	589,775	-

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

Year	Incremental Amounts
2014	173,298,153
2015	16,702,345
2016	3,822,002
2017	2,224,593
2018	589,775
Total	**196,636,868**

Claim Development Table

Bornhuetter Ferguson Method- Gross Motor Claims

The ultimate loss ratio for each accident year are estimated as illustrated below:

Accident Years	Gross Earned Premium	Assumed Ultimate Loss Ratio	Initial Ultimate Claims Estimate
2009	1,760,719,286	25	440,179,822
2010	1,515,905,000	30	454,771,500
2011	1,509,371,000	35	528,279,850
2012	1,517,739,600	35	531,208,860
2013	1,283,713,873	35	449,299,856

Stochastic Reserving Method- Gross Motor Claims

Development Age	1	2	3	4	5	6
Link ratio	1.72	1.02	1.00	1.01	1.00	1.00
Age to Ultimate factor	1.77	1.03	1.01	1.01	1.00	1.00
Cumulative	253,324,617	362,585,128	426,632,645	358,724,021	345,651,857	298,512,154
Ultimate	448,411,445	370,871,258	429,330,838	359,344,569	346,067,955	298,512,154
Gross claim reserve	195,086,829	8,286,130	2,698,193	620,548	416,097	-
Sum of claim reserve	**207,107,796**					

Technical Reserves

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

Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries (₦)	Net Outstanding Claims (₦)
Accident	147,367,908	(91,770,218)	55,597,690
Engineering	20,765,018	(9,954,184)	10,810,834
Fire	175,629,250	(84,801,319)	90,827,931
Marine	182,235,087	(98,299,734)	83,935,353
Motor	197,446,722	(13,216,576)	184,230,146
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,146,745,633**	**(648,871,414)**	**497,874,219**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**244,880,174**	**(458,923,035)**	**(214,042,861)**

* Oil and Gas was estimated using Expected loss ratio method

Claim Development Table

Discounted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	129,819,855	(81,268,085)	48,551,770
Engineering	18,414,570	(8,649,036)	9,765,534
Fire	154,515,841	(74,034,421)	80,481,420
Marine	159,438,680	(86,728,345)	72,710,335
Motor	176,743,313	(13,216,576)	163,526,737
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,062,233,907**	**(614,725,846)**	**447,508,061**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**160,368,448**	**(424,777,467)**	**(264,409,019)**

* Oil and Gas was estimated using Expected loss ratio method

Inflation Adjusted Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	160,776,489	(100,501,945)	60,274,544
Engineering	23,551,972	(11,943,889)	11,608,083
Fire	190,867,509	(92,993,875)	97,873,634
Marine	202,850,920	(112,069,813)	90,781,107
Motor	205,951,864	(13,216,576)	192,735,288
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,207,300,402**	**(681,555,481)**	**525,744,921**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**305,434,943**	**(491,607,102)**	**(186,172,159)**

* Oil and Gas was estimated using Expected loss ratio method

Discounted Inflation Adjusted Basic Chain Ladder Method-Discounted

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	141,121,422	(88,825,233)	52,296,189
Engineering	20,824,459	(10,353,929)	10,470,530
Fire	166,906,678	(80,900,607)	86,006,071
Marine	176,901,316	(98,218,720)	78,682,596
Motor	183,899,994	(13,216,576)	170,683,418
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,112,955,517**	**(642,344,448)**	**470,611,069**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**211,090,058**	**(452,396,069)**	**(241,306,011)**

* Oil and Gas was estimated using Expected loss ratio method

Claim Development Table

Technical Reserve Using Bornhuetter Ferguson Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	216,177,890	(91,686,715)	124,491,175
Engineering	59,719,466	(24,729,097)	34,990,369
Fire	213,572,635	(91,879,880)	121,692,755
Marine	192,735,439	(88,800,292)	103,935,147
Motor	213,654,185	(13,216,576)	200,437,609
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,319,161,263**	**(661,141,943)**	**658,019,320**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**417,295,804**	**(471,193,564)**	**(53,897,760)**

* Oil and Gas was estimated using Expected loss ratio method

Technical Reserve Using Boostrap Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	157,324,507	(121,242,321)	36,082,186
Engineering	19,168,083	(8,315,974)	10,852,109
Fire	213,806,912	(128,758,822)	85,048,090
Marine	145,298,534	(60,144,570)	85,153,964
Motor	204,544,333	(13,216,576)	191,327,757
Oil & Energy	423,301,648	(350,829,383)	72,472,265
Total	**1,163,444,017**	**(682,507,646)**	**480,936,371**
Accounts (Outstanding Claims)	901,865,459	(189,948,379)	711,917,080
Difference	**261,578,558**	**(492,559,267)**	**(230,980,709)**

* Oil and Gas was estimated using Expected loss ratio method
We summarise Unearned Premium Reserve (UPR) estimation by class of business below.

Estimated Gross Unearned Premium Reserve (net of reinsurance)

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	52,274,231	31,859,709	20,414,522
Engineering	52,071,427	44,533,748	7,537,679
Fire	75,650,331	62,785,048	12,865,283
Marine	48,710,683	28,469,815	20,240,868
Motor	71,769,313	7,481,474	64,287,839
Oil & Energy	2,059,401,894	1,834,813,361	224,588,533
Total	**2,359,877,879**	**2,009,943,155**	**349,934,724**

Claim Development Table

Cumulative Claims Development Pattern- Motor

Accident Year	Incremental Chain Ladder - Yearly Projections					
	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	800,000
2009	181,552,201	146,736,420	15,858,377	800,963	703,896	-
2010	225,016,084	122,872,249	10,142,714	692,973	-	-
2011	292,165,155	126,132,960	8,334,531	-	-	-
2012	209,065,512	153,519,616	-	-	-	-
2013	253,324,617	-	-	-	-	-

Accident Year	Cumulative Chain Ladder- Yearly Projections (₦)					
	1	2	3	4	5	6
2007	161,219,903	277,936,462	282,421,914	282,732,981	282,781,529	282,781,529
2008	169,900,044	277,735,901	290,922,898	294,307,350	297,712,154	298,512,154
2009	181,552,201	328,288,621	344,146,998	344,947,961	345,651,857	346,128,213
2010	225,016,084	347,888,333	358,031,041	358,724,021	360,158,917	360,655,265
2011	292,165,155	418,298,114	426,632,645	428,368,397	430,081,870	430,674,582
2012	209,065,512	362,585,128	374,012,806	375,534,475	377,036,612	377,556,221
2013	253,324,617	411,548,088	424,518,943	426,246,095	427,951,079	428,540,855

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

Claim Development Table

Summary of Results				
Accident Year	Latest Paid (₦)	Developed to Date	Ultimate Claims (₦)	Gross Outstanding Claim (₦)
2007	282,781,529	1.00	282,781,529	-
2008	298,512,154	1.00	298,512,154	-
2009	345,651,857	1.00	346,128,213	476,356
2010	358,724,021	0.99	360,655,265	1,931,244
2011	426,632,645	0.99	430,674,582	4,041,937
2012	362,585,128	0.96	377,556,221	14,971,093
2013	253,324,617	0.59	428,540,855	175,216,238
Total	**2,328,211,951**	**0.92**	**2,524,848,819**	**196,636,868**

Cumulative Claims Development Pattern- Marine

Accident Year	Incremental Chain Ladder - 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	6,423,004	-	-
2011	35,171,042	25,573,758	30,243,793	-	-	-
2012	30,163,751	116,628,910	-	-	-	-
2013	32,653,211	-	-	-		

Accident Year	Incremental Chain Ladder - Yearly Projections (₦)					
	1	**2**	**3**	**4**	**5**	**6**
2007	12,087,521	40,899,504	48,751,683	48,811,244	79,181,328	79,181,328
2008	647,743	8,116,144	8,213,110	8,213,110	8,213,110	8,213,110
2009	2,312,416	24,609,645	24,947,758	31,859,732	31,859,732	31,859,732
2010	14,527,410	33,752,565	43,299,877	49,722,882	49,722,882	49,722,882
2011	35,171,042	60,744,800	90,988,594	100,722,056	100,722,056	100,722,056
2012	30,163,751	146,792,661	188,771,245	208,964,958	208,964,958	208,964,958
2013	32,653,211	100,413,814	129,129,348	142,942,899	142,942,899	142,942,899

Claim Development Table

	Summary of Result			
Accident Year	Latest Paid (₦)	Developed to Date	Ultimate Claims (₦)	Gross Outstanding Claim (₦)
2007	79,187,813	1.00	79,187,813	-
2008	8,213,110	1.00	8,213,110	-
2009	31,859,732	1.00	31,862,096	2,364
2010	49,722,882	1.00	49,726,572	3,690
2011	90,988,594	0.90	100,729,530	9,740,936
2012	146,792,661	0.70	208,980,464	62,187,803
2013	32,653,211	0.71	142,953,506	110,300,295
Total	**439,418,003**			**182,235,088**

Cumulative Claims Development Pattern- General Accident

	Incremental Chain Ladder - Yearly Projections (₦)						
Accident Year	1	2	3	4	5	6	7
2007	78,869,967	51,047,279	21,990,040	5,148,671	1,109,286	381,846	1,341,561
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	2,566,892	-	-
2010	56,379,586	75,169,460	12,275,799	13,466,875	-	-	-
2011	64,532,008	83,602,853	16,555,461	-	-	-	-
2012	90,025,098	133,618,154	-	-	-	-	-
2013	62,941,458	-	-	-	-	-	-

	Cumulative Development Pattern - Yearly Projections (₦)						
Accident Year	1	2	3	4	5	6	7
2007	78,869,967	129,917,246	151,907,287	157,055,957	158,165,243	158,547,089	159,888,650
2008	107,762,458	170,376,616	170,376,616	195,222,838	195,658,351	195,658,351	195,658,351
2009	71,177,029	145,450,806	187,794,849	189,855,653	192,422,545	192,630,207	192,630,207
2010	56,379,586	131,549,046	143,824,844	157,291,719	158,484,661	158,655,697	158,655,697
2011	64,532,008	148,134,861	164,690,322	170,786,815	172,082,107	172,267,818	172,267,818
2012	90,025,098	223,643,252	258,702,388	268,279,011	270,313,710	270,605,432	270,605,432
2013	62,941,458	127,437,772	147,415,384	152,872,394	154,031,819	154,198,050	154,198,050

Claim Development Table

	Summary of Results			
Accident Year	**Latest Paid**	**Dev to Date**	**Ultimate**	**Gross Outstanding Claim (₦)**
2007	159,888,650	1.00	159,888,650	-
2008	195,658,351	1.00	195,658,351	-
2009	192,422,545	1.00	192,630,207	207,662
2010	157,291,719	0.99	158,655,697	1,363,978
2011	164,690,322	0.96	172,267,818	7,577,496
2012	223,643,252	0.83	270,605,432	46,962,180
2013	62,941,458	0.41	154,198,050	91,256,592
Total	**1,156,536,297**	**0.89**	**1,303,904,205**	**147,367,908**

Cumulative Claims Development Pattern: Fire

	Incremental Chains Ladder - Yearly Projections (₦)					
Accident Year	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	2,350,398
2009	38,670,607	30,028,785	7,094,934	17,129,532	1,133,313	-
2010	48,682,803	170,024,779	14,642,422	168,850	-	-
2011	40,146,594	87,854,521	14,686,842	-	-	-
2012	34,801,342	71,848,658	-	-	-	-
2013	96,493,230	-	-	-		

	Incremental Chain Ladder - Yearly Projections (₦)					
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**
2007	23,547,942	38,468,555	39,019,443	39,514,314	39,922,902	39,940,734
2008	145,425,768	170,830,177	190,166,921	191,584,434	191,859,650	194,210,048
2009	38,670,607	68,699,392	75,794,325	92,923,858	94,057,171	95,018,197
2010	48,682,803	218,707,582	233,350,004	233,518,854	234,828,427	237,227,777
2011	40,146,594	128,001,115	142,687,958	147,779,893	148,608,642	150,127,045
2012	34,801,342	106,650,000	116,263,560	120,412,520	121,087,793	122,325,003
2013	96,493,230	213,028,361	232,230,995	240,518,346	241,867,172	244,338,441

Claim Development Table

	Summary of Results			
Accident Year	**Latest Paid**	**Dev to Date**	**Ultimate**	**Gross Outstanding Claim (₦)**
2007	39,940,734	100%	39,940,734	-
2008	194,210,048	100%	194,210,048	-
2009	94,057,171	99%	95,018,197	961,026
2010	233,518,854	98%	237,227,777	3,708,923
2011	142,687,958	95%	150,127,045	7,439,087
2012	106,650,000	87%	122,325,003	15,675,003
2013	96,493,230	39%	244,338,441	147,845,211
Total	**907,557,995**	**84%**	**1,083,187,245**	**175,629,250**

Cumulative Claims Development Pattern: Engineering

	Incremental Chain Ladder Pattern - Yearly Projections					
Accident Year	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	531,225	-
2010	14,206,190	26,428,915	1,836,403	1,194,396	-	-
2011	33,164,528	33,090,331	-	-	-	-
2012	41,347,347	20,690,608	-	-	-	-
2013	3,266,232				-	

	Incremental Chains Ladder - Yearly Projections (₦)					
Accident Year	**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	44,128,483	44,128,483
2011	33,164,528	66,254,859	86,187,376	87,983,599	88,915,661	88,915,661
2012	41,347,347	62,037,955	72,684,380	74,199,189	74,985,225	74,985,225
2013	3,266,232	6,530,258	7,650,925	7,810,378	7,893,118	7,893,118

Claim Development Table

	Summary of Results			
Accident Year	**Latest Paid**	**Dev to Date**	**Ultimate**	**Gross Outstanding Claim (₦)**
2007	19,137,861	100%	19,137,861	-
2008	19,685,187	100%	19,685,187	-
2009	11,854,092	100%	11,854,092	-
2010	43,665,905	99%	44,128,483	462,578
2011	86,187,376	97%	88,915,661	2,728,285
2012	62,037,955	83%	74,985,225	12,947,270
2013	3,266,232	41%	7,893,118	4,626,886
Total	**245,834,608**	92%	**266,599,627**	**20,765,019**

47. Management of Insurance Risk and Financial Risk

RISK MANAGEMENT PHILOSOPHY AND CULTURE

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

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

Risk Management Strategy

The Company adopts the following strategy for managing risks:

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

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

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

Insurance risk

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

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

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

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

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

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

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

Underwriting Risk Appetite

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

- We do not underwrite risks we do not understand;
- We are cautious in underwriting unquantifiable risks;
- We are extremely cautious in underwriting risk observed to be poorly managed at proposal state e.g. those with low safety standards, shoddy construction or businesses with excessively high risk profile;

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

- 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 riskinclude 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

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

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.

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

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.

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

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 andmake appropriate recommendations towards risk improvement and minimization of loss impacts.

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

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 coinsurance 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:

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

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

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

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

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

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

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

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

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

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

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

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 2013 and 2012 for Gross Premiums written is set out below:

(a) By product	**Dec. 2013**	Dec. 2012
	₦'000	₦'000
Motor business	**1,358,907**	1,562,672
Fire & Property	**823,932**	878,056
Marine & Aviation	**712,172**	808,321
General Accident	**1,095,839**	1,152,860
C.A.R & Engineering	**262,604**	477,603
Energy business	**4,420,222**	2,863,274
	8,673,676	7,742,785

(b) By sector	**31 Dec.2013**	31 Dec.2012
	₦'000	₦'000
Energy	**5,437,734**	4,047,242
Financial Services	**554,863**	721,336
IT/Telecoms & Other Corp.	**1,059,460**	1,022,662
Manufacturing	**601,304**	570,603
Public Sector	**505,093**	904,549
Retail	**515,222**	476,393
	8,673,676	7,742,785

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.

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

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 an negative. In this context, we manage uncertainty by seeking to reduce the variance between anticipated outcomes and actual results.

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

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

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

At 31 December 2013	**Carrying amount**	**No stated maturity**	**0-90 days**	**91-180 days**	**180-365 days**	**1 - 2 years**	**> 2 years**
Financial assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash & cash equivalents	1,932,233		1,932,233	-	-	-	-
Loans and receivables:							
- Trade receivables	98,328	-	98,328		-	-	-
- Loan & receivables	90,516	-	-	-	90,516	-	-
Debt securities	30,000	-	-	-	-	-	30,000
Equity securities							
- quoted	420,560	420,560	-	-	-	-	-
- unquoted	103,520	103,520	-	-	-	-	-
	2,675,813	**524,080**	**2,065,573**	**-**	**90,516**	**-**	**30,000**
Insurance liabilities							
Outstanding Claims Reserve	1,112,956	-	1,112,956	-	-	-	-
Less assets arising from reinsurance	-	-	-	-	-	-	-
	1,112,956	-	1,112,956	-	-	-	-
At 31 December 2012							
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	-	1,386	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	Carrying amount	No stated maturity	0-90 days	91-180 days	180-365 days	1 - 2 years
Financial assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
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**	**-**	**-**	**-**

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 2013 (₦'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalents	1,932,889	965,765	-	967,124
Trade receivables	98,328	-	-	98,328
Loans and receivables	90,516	-	-	90,516
Reinsurance assets	2,652,288	-	-	2,652,288
Debt securities	30,000	30,000	-	-
	4,804,021	**995,765**	**-**	**3,808,256**
Liabilities				
Non-life insurance liability	3,472,833	-	-	3,472,833
Trade creditors & other liabilities	256,895	-	-	256,895
Debt security in issue	1,066,897	1,066,897	-	-
	4,796,625	**1,066,897**	**-**	**3,729,728**

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

31 December 2012 (₦'000)

Assets	**Carrying amount**	**Fixed rate**	**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	**1,228131**	**-**	**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				
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	**1,334,052**	**-**	**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**

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

(b) Sensitivity analysis - equity risk

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

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

As at 31 December 2013, the market value of quoted securities held by the Company is ₦ 420 million (2012:₦ 334 million). If the all share index of the NSE moves by 100 basis points at 31 December 2013, the effect on profit or loss would have been ₦ 4.2 million (2012: ₦ 3.3 million).
The Company holds a number of investments in unquoted securities with a market value of N 103 million as at 31 December 2013 (2012: ₦ 88 million) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at ₦ 76 million (cost ₦ 49 million) (2012: ₦ 73 million, cost ₦ 49 million) as at 31 December 2013. 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 2013 (₦'000)

Assets	**Naira**	**USD**	**Yen**	**Euro**	**Total**
Cash and cash equivalent	1,168,309	758,325		6,255	1,932,889
Insurance receivables	98,328				98,328
Loan and Receivables	90,516				90,516
Reinsurance assets	2,652,288				2,652,288
Investment securities	76,917				76,917
	4,086,358	**758,325**		**6,255**	**4,850,938**
Liabilities					
Non-life insurance liability	3,472,833			3,472,833	
Trade creditors & other liabilities	256,895			256,895	
Debt security in issue	1,066,897		1,066,897		
	4,796,625	**-**	**1,066,897**		**3,729,728**

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

31 December 2012 (₦'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 (₦'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**

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

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

	2013	2012
Effect of 10% mov. on profit b/4 tax and fin. position size (₦'000)	**106,690**	100,778

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 noncurrent 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.

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

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-Dec 2013 ₦'000	31-Dec 2012 ₦'000
Cash and bank balances	1,932,889	1,166,795
- Trade receivables	98,328	1,149,175
- Loans & receivables	90,516	209,113
Reinsurance assets	2,652,288	623,120
Debt securities	30,000	97,731
Total assets bearing credit risk	4,804,021	3,245,934

Management of Insurance Risk and Financial Risk (Cont'd)
Concentration of credit risk

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

(a) Geographical sectors

At 31 December 2013 (₦'000)	Insurance receivables	Total
Lagos	49,701	49,701
West	4,678	4,678
North	9,026	9,026
East	34,923	34,923
	98,328	98,323

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

Notes to the Financial Statements (cont'd)

Credit quality **31 December 2013** **(N'000)**	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Not rated**	**Total**
Debt securities			30,000				**30,000**
Reinsurance assets	-	-	-	-	-	2,652,288	**2,652,288**
Loans &receivables	-	-	-	-	-	90,516	**90,516**
Cash & cash equivalent	-	-	-	-	-	1,901,233	**1,901,233**
	-	**-**	**30,000**	**-**	**-**	**4,644,037**	**4,674,037**

	Category A	**Category B**	**Category C**	**Not categ**	**Total**
Trade receivables	98,328	-	-	-	98,328

Credit quality **31 December 2012** **(N'000)**	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Not rated**	**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

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

Liquidity Risk

Liquidity risk is the inability of a company to meet obligations on a timely basis. It is also the in abilityof 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 2013, 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.

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

Payments due by period as of 31 December 2013

	Carrying amount	**0-1 years**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Debt security in issue	**1,066,897**				1,066,897	1,066,897
Trade & other liabilities	**256,896**	**256,896**				256,896
	1,323,792	**256,896**			1,066,897	1,323,792

Payments due by period as of 31 December 2012

	Carrying amount	**0-1 years**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Debt security in issue	1,007,774				1,007,774	1,007,774
Other liabilities	292,701	292,701	-	-	-	292,701
	1,300,475	292,701	-	-	1,007,774	1,300,475

Payments due by period as of 31 December 2011

	Carrying amount	**0-1 years**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
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

32.3 Fair value of financial assets and liabilities

(a) Financial Instrument not measured at fair value

	At 31 December 2013		At 31 December 2012	
	Carrying value N'000	**Fair value N'000**	Carrying value N'000	Fair value N'000
Financial assets				
Cash and bank balances	**1,932,889**	**1,932,889**	1,166,795	1,166,795
Investment securities:				
Debt securities	**30,000**	**30,000**	20,000	20,000
Trade receivables	**98,328**	**98,328**	2,666,195	2,666,195
Other loans and receivables	**90,516**	**90,516**	237,701	237,701
	2,151,733	**2,151,733**	4,090,691	4,090,691
Financial liabilities				
Convertible bond	**1,066,897**	**1,066,897**	1,007,775	1,007,775
Other liabilities	**256,896**	**256,896**	292,701	292,701
	1,323,792	**1,323,792**	1,300,476	1,300,476

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

(b) Financial instruments measured at fair value
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the 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 2013 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	420,560	-	-	420,560
Unquoted equity investments	-	103,520	-	103,520
Debt securities	30,000	-	-	30,000
	450,560	**103,520**	**-**	**554,080**
At 31 December 2012 (₦'000)				
Financial assets				
Quoted equity investments	333,768	-	-	333,768
Unquoted equity investments	-	72,758	14,903	87,662
Debt securities	77,731			77,731
	411,901	72,758	14,903	499,161
At 31 December 2011 (₦'000)				
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

Reconciliation of Level 3 items	31 Dec. 2013 ₦'000	31 Dec. 2012 ₦'000
At beginning of period	-	6,604
Total gains / (losses)	-	-
Purchases	-	8,299
Sales -	-	
Issues	-	-
Settlements	-	-
At end of period	-	14,903

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

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

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

	At 31 December 2013		At 31 December 2012	
	Favorable changes ₦'000	Unfavorable changes ₦'000	Favorable changes ₦'000	Unfavorable changes ₦'000
Unquoted equity investments	-	-	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.

48. Capital Management Policies

Capital management

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

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

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

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

Solvency margin

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

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

The Company did not meet the required solvency margin. There is short fall of N299,720,000 as shown in the solvency margin computation.

Capital Management Policies (Cont'd)
This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. The company experienced a shortfall in its solvency margin for the year ended 31st December, 2013.

In order to continually meet the company's obligation to policy holders, the company is offering 1 to 3 rights issue to existing shareholders to boost her capital base, this will increase the capital by N1,145,292,899. It is expected that the capital injection initiatives will soon crystallize and would address the solvency margin concerns.

		2013
ADMISSIBLE ASSETS		**₦'000**
Cash and cash equivalents		1,932,889
Available for sale		470,192
Fair Value Through Profit or Loss		420,560
Held to Maturity		30,000
Loan and Receivables		53,968
Trade Receivables		98,328
Reinsurance Assets		2,652,287
Deferred Acquisition Cost		548,295
Staff debtors		1,751
Investment in Associate		50,255
Investment Property		1,000,000
Property, Plant & Equipment		292,554
Statutory Deposits		315,000
	A	7,866,079
ADMISSIBLE LIABILITIES		
Insurance Liabilities		3,472,833
Debt Securities		1,066,897
Trade payables		177,238
Other Payables & Accruals		79,657
Retirement Benefit Obligations		336,442
Taxation		32,732
	B	5,165,799
Actual Solvency (A - B)		2,700,280

Net Premium	4,309,149
Solvency Margin	
Limit of Net premium i.e. 15% of Net Premium	646,372
Minimum of paid up Capital - D	3,000,000
Since C>D - Negative Solvency Margin - (C-D)	(299,720)
Percentage of insolvency	(10)

Statement of Value Added

	2013 ₦'000	%	2012 ₦'000	%
Gross Premium Written:				
Local	**8,673,676**		7,742,785	
Foreign	**-**			
Other Income:				
Local	**63,594**		78,042	
Foreign	**-**			
	8,737,270		7,820,827	
Bought in Material and Services:				
Local	**(7,549,581)**		(5,667,281)	
Foreign				
Value Added	**1,187,690**	**100**	2,153,547	100
Applied as follows:				
Employees				
Salaries and other employees benefits	**794,172**	**66.87**	640,703	29.75
Provider of Capital				
Non Minority Interest	**-**	**-**	-	-
Government				
Taxation	**(72,071)**	**(6.07)**	108,759	5.05
Retention and Expansion				
Depreciation	**148,373**	**12.49**	211,678	9.83
Contingency reserves	**260,210**	**21.91**	232,284	10.79
Retained profits for the year	**57,004**	**4.80**	960123	44.58
Value Added	**1,187,690**	**100.00**	2,153,547	100.00

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

	IFRS				NGAAP	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010		31 Dec. 2009
Assets	**₦'000**	₦'000	₦'000	₦'000		₦'000
Cash and Cash Equivalents	**1,932,889**	1,166,795	1,431,579	507,609	Cash and Bank Balance	69,179
Trade Receivable	**98,328**	1,149,175	561,045	764,613	Short Term Investment	1,308,285
Reinsurance Assets	**2,652,287**	1,322,312	851,332	509,951	Premium Debtors	1,553,617
Deferred Acquisition Cost	**548,295**	541,467	266,962	287,203	Other Debtors and Prepayments	126,293
Financial Assets	**1,011,267**	917,287	1,151,291	1,024,432	Deferred Acquisition Cost	133,911
Investment Properties	**1,222,022**	1,053,030	860,311	864,774	Deferred Tax Asset	23,927
Property and Equipment	**548,586**	552,747	583,310	517,123	Long Term Investment	455,954
Other Receivables and Prepayments	**184,957**	95,421	84,677	47,676	Investment Properties	755,627
Statutory Deposit	**315,000**	315,000	315,000	315,000	Statutory Deposit	315,000
Intangible assets	**6,201**	-	-	-	Fixed Assets	530,966
Investment in Associate	**50,255**	-	-	-		
Deferred tax assets	**79,207**	-	-	-		
Total Assets	**8,649,295**	7,113,234	6,105,507	4,838,381		5,272,759
Liabilities						
Trade Payables	**177,238**	250,559	171,892	140,883	Creditors and Accruals	176,702
Other Payables and Accruals	**79,657**	42,140	64,129	43,611	Outstanding Claims	71,179
Book Overdraft	**-**	-	24,925	23,522	Insurance Fund	509,416
Current Tax Payable	**32,732**	127,506	83,475	54,885	Taxation Payable	38,690
Deferred Tax Liability	**-**	35,183	57,935	111,168	Deferred Tax Liabilities	58,145
Retirement Benefit Obligations	**336,442**	271,641	229,651	1,989	Sinking Fund	87,282
Insurance Contract Liabilities	**3,472,833**	2,239,625	1,970,949	1,121,495	Convertible Bond	891,460
Debt Security in Issue	**1,066,897**	1,007,775	1,523,877	1,441,028		
Total liabilities	**5,165,799**	3,974,430	4,126,833	2,938,581		1,832,874
Net Assets	**3,483,497**	3,138,805	1,978,675	1,899,800		3,439,885
Equity						
Issued Share Capital	**3,435,879**	3,435,879	3,435,879	2,601,879	Issued Share Capital	2,601,879
Share Premium	**116,843**	116,843	145,763	191,943	Share Premium	191,943
Available-For-Sale Reserve	**27,018**	(460)	2,898	16,785	Fixed Asset Revaluation Reserves	41,078
Contingency Reserve	**1,452,632**	1,192,422	960,138	767,908	Contingency Reserve	625,070
Retained Earnings	**(1,548,875)**	(1,605,880)	(2,566,003)	(1,678,715)	General Reserves	(20,084)
Shareholders' Fund	**3,483,496**	3,138,804	1,978,675	1,899,800		3,439,885
Gross Premium Written	**8,673,676**	7,742,785	6,407,713	4,761,272	Gross Premium Written	4,440,299
Gross premiums income	**7,437,639**	7,502,203	6,173,285	4,621,857	Gross Premium Income	4,338,584
Net underwriting income	**4,309,149**	4,994,462	4,506,917	3,682,912	Net Premium Income	3,333,099
Other Revenue	**1,084,362**	848,324	471,391	228,318	Other Revenue	394,204
Total Revenue	**5,393,511**	5,842,786	4,978,308	3,911,230	Total Revenue	3,727,303
Claims paid	**(1,751,951)**	(920,434)	(1,553,950)	(1,064,211)	Net Benefits and Claims	(1,503,404)
Impairment for Insurance Receivable	**(290,471)**	(84,266)	(1,113,295)	-	Other Expenses	(2,210,702)
Other Expenses	**(3,001,542)**	(3,252,973)	(2,824,909)	(2,431,152)	Total Benefits, Claims and Other Expenses	(3,714,106)
Total Benefits, Claims and Other Expenses	**(5,043,964)**	(4,257,673)	(5,492,154)	(3,495,363)	Profit Before Taxation	13,195
Profit Before Tax	**274,859**	1,585,113	(513,847)	415,867	Profit After Taxation	(8,998)
Income tax expense	**72,071**	(108,759)	(25,097)	(107,103)	Contingency Reserve	133,209
Profit For the Year	**346,930**	1,585,113	(513,847)	308,764	Retained Profit for the year.	(129,012)
Other Comprehensive Income for the year, net of tax	**(2,237)**	(12,435)	(13,887)	-		-
Total Comprehensive Income for the year, net of tax	**344,693**	1,463,920	(552,830)	-		-
Basic Earnings Per Share	**4.00**	23.07	(8.51)	5.93	Earnings per share	0.08

Share Capital History

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

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

TEAR OFF

Mandate Form

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

MANDATE FOR DIVIDEND PAYMENT TO BANKS (e-Dividend)

MERISTEM

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

To:

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

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

Bank name:____

Bank Address:____

____

Account Number:____

Shareholder's Full Name:____
(Surname First)

____

Shareholder's Address:____

____

E-mail:____

Mobile No
CSCS CHN____________________ CSCS A/CNO:____________________

Single Shareholder's
Signature:____

Joint Shareholder's
Signature:
1) ____

2) ____

If company,
Authorized Signatory:
1) ____

2) ____

Company Seal:

Authorized Signature & Stamp
of Bankers:____

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

e-DIVIDEND PAYMENT-
One Stop Solution to Unclaimed Dividend.
Take advantage of it!

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PROXY FORM

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

I/We ....

of ....

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

....

or failing him, the Chairman, **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 31st day of October, 2014 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, 2013, and the Reports of the Directors, the Auditors and the Audit Committee thereon.		
2. To re-elect Directors. The names of directors seeking re-election are: Col. Musa shehu (RTD) OFR, Sir (Dr.) Ogala Osoka, MFR and Chief Ephraim Faloughi , OON 'notwithstanding that he had attained the age of 70 years'.		
3. To authorise the Directors to fix the remuneration of the Auditors.		
4. To elect the Shareholders' representatives on the Audit Committee.		
5. To consider and if deemed fit to pass the following resolution as an ordinary resolution: That the Directors' fees for the year ended December 31, 2013 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____________ 2014

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.

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Notes

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(19TH 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 31st day of October, 2014, at 12 noon.

NAME OF SHAREHOLDER..

NAME OF PROXY...
.

*SIGNATURE ....

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

TEAR OFF

Notes