At 20

...Fueling innovative strategies

Annual Report & Accounts 2014

SOVEREIGN TRUST INSURANCE PLC.

RC 31962

...We've got you covered!

At 20: New age. New dimensions.

...born 1995 of optimism;
established by character.
...born in an era requiring advancement
as regards the core of our operations.

Our trajectory could only have made a
20-year count due to enthusiasm, commitment,
integrity and delivery.

Our evolution has been constant...
with each age, came new steps forward,
new strategy and expanded horizon.
With evident testimonials; we are charged to
look to new opportunities, push boundaries
and implement good ideas.

20 years on...; gratified by tested results, yet
undeniably driven to exceed preceding records.
Each attained age, unfolds new dimensions for success.

Annual
Report
& Accounts
2014

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

Our Synopsis

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

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

PRODUCTS AND SERVICES

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

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

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

Currently, our authorized share capital is **N5.25Billion divided into 10.5billion units of 50**

kobo per share. We have a total equity of over N4Billion. The ownership of the company is made up of diverse shareholders from wide range of individuals and institutional investors with a robust Board of Directors of distinguished personalities.

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

INTERNATIONAL RATING

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

20TH AGM NOTICE

NOTICE IS HEREBY GIVEN that the **20th 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 11th day of September 2015 at 11.00 a.m.** to transact the following businesses:

ORDINARY BUSINESS:

1. To lay before the Meeting the Audited Financial Statements for the year ended December 31, 2014, and the Reports of the Directors, the Auditors and the Audit Committee thereon.
2. To re-elect Directors.
   - i. Mr. Oluseun O. Ajayi
   - ii. Prof. Steve Azaiki
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, 2014 be and is hereby fixed at ₦5,000,000.00.

DATED THIS 10TH DAY OF AUGUST, 2015

BY ORDER OF THE BOARD

EQUITY UNION LIMITED

Yetunde Martins
Equity Union Limited
Company Secretaries

NOTES

PROXIES

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

CLOSURE OF REGISTER

The Register of members will be closed from 17th August 2015 to 21st August 2015 (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
Col. Musa Shehu (Rtd.), OFR (Independent Director)
Mr. Samuel Ogbodu (Executive 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
NCA 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.

Business Information

Marketing & Business Development
Contact: Ugochi Odemelam
08099929134

Technical
Contact: Olaotan Soyinka
08099928042

Business Development
Contact: Emmanuel Anikibe
08099928102

Our Branch Network

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

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

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

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

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

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

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

ILORIN BRANCH OFFICE
Contact: Tejumade Emmanuel
232, Ibrahim Taiwo Road,
Starcomms Building,
Ilorin, Kwara State.
Tel:08099929137

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

KANO BRANCH OFFICE
Contact: ThankGod Ekpa
4C, Muritala Mohammed Way,
Kano State.
Tel:08033175276

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

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

MARKETING AND BUSINESS DEVELOPMENT
Contact: Ugochi Odemelam
16, IbiyinkaOlorunnibe Street,
Victoria Island,
Lagos State.
Tel:08099929134

PORT-HARCOURT AREA OFFICE
Contact: Angela Onochie
Plot 11, Peter Odili Road,
By Maxwell Adoki Street,
Trans-Amadi Industrial Layout,
Port-Harcourt, Rivers State.
Tel:08033821451

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

WARRI BRANCH OFFICE
Contact: David Richard
Suite 13/14, Nosky Plaza,
Opposite Shell Contractor's
Gate, ogunu,Warri,
Delta State.
Tel:08136765405

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

CORPORATE INFORMATION
Contact: Segun Bankole
Corporate Communications & Brand Management

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

Management Team

Olawale Onaolapo	Managing Director/CEO
Samuel Ogbodu	Executive Director/COO
Olaotan Soyinka	GM/Divisional Head, Technical
Ugochi Odemelam	GM/Divisional Head, Marketing & Business Development
Kayode Adigun	GM/Divisional Head, Finance & Administration
Tolu Fasoranti	DGM/Head, Brokers' Department
Sanni Oladimeji	DGM/Head, Risk Management & Compliance
Segun Bankole	AGM/Head, Corporate Communications & Brand Management
Olalekan Oguntunde	AGM/Head, ICT
Lanre Ojuola	AGM/Head, Strategy & Corporate Planning
Emmanuel Anikibe	AGM/Head, Business Development
Mohammed Bako Alfa	AGM/Head, Northern Operations
Samuel Oseni	AGM/Head, Internal Audit

Results at a glance

	Dec. 2014	Dec. 2013	Change	
	₦'000	₦'000	₦'000	%
Cash and cash equivalents	2,236,085	1,932,889	303,194	16
Trade receivable	57,551	98,328	(40,777)	(41)
Financial Assets	866,958	1,011,268	(144,310)	(14)
Property, Plant and Equipment	783,098	548,586	234,511	43
Other Receivables and Prepayments	158,710	184,957	(26,247)	(14)
Investment in Associate	49,202	50,255	(1,053)	(2)
Investment in properties	1,339,084	1,222,022	117,062	10
Deferred acquisition costs	568,819	548,295	20,524	4
Reinsurance assets	2,011,841	2,652,287	(640,446)	(24)
Statutory deposit	315,000	315,000	0	-
Intangible assets	25,775	6,201	19,575	316
Deferred tax asset	80,725	79,207	1,518	2
Total Assets	8,492,846	8,649,295	(156,449)	(2)
Trade payables	140,147	177,238	(37,091)	21
Retirement benefit obligations	240,689	336,442	(95,752)	28
Insurance contract liabilities	3,073,723	3,472,833	(399,110)	11
Debt securities in issue	806,590	1,066,897	(260,307)	24
Other payables & accruals	37,905	79,657	(41,752)	52
Current tax payable	32,937	32,732	205	(1)
Total liabilities	4,331,991	5,165,799	(833,807)	16
Issued share capital	3,435,879	3,435,879	-	-
Share premium	116,843	116,843	-	-
Available-for-sale reserve	13,416	27,018	(13,602)	(50)
Contingency reserve	1,671,227	1,452,632	218,595	15
Retained earnings	(1,486,795)	(1,548,875)	62,081	4
Deposit for Share	410,284	-	410,284	-
Total Equity	4,160,855	3,483,497	677,358	19
Comprehensive Income				
Gross premium written	7,286,511	8,673,676	(1,387,165)	(16)
Net underwriting Income	5,087,120	4,918,653	168,467	3
Investment, Fee and Other Income	755,153	1,033,619	(278,466)	(27)
Total Revenue	5,842,273	5,952,272	(109,999)	(2)
Claims expense	(2,181,184)	(1,168,961)	(1,012,224)	(87)
Impairment for Insurance Receivable	-	(290,471)	290,471	(100)
Other Expenses	(2,852,936)	(3,001,542)	148,606	5
Total Benefits, Claims and Other Expenses	(5,034,121)	(4,460,973)	(573,147)	13
Profit Before Tax	326,021	857,850	(531,829)	(62)
Income tax expense	(31,078)	72,071	(103,148)	(143)
Profit For the Year	294,943	929,920	(634,977)	(68)
Other Comprehensive Income for the year, net of tax	(27,869)	(2,237)	(25,632)	(1,146)
Total Comprehensive Income for the year, net of tax	267,074	927,683	(660,610)	(71)
Basic Earnings Per Share	4.74	12.48	(7.74)	(62)

"We believe in making decisions to maximize long-term value".

Chairman's Statement

In conversation with

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

Welcome

Distinguished Shareholders, representatives of the various regulatory authorities, Invited Guests, Gentlemen of the Press, Ladies and Gentlemen, It is my pleasure to welcome you all to the 20th Annual General Meeting of our most cherished company, Sovereign Trust Insurance Plc.

As you may be aware, 2014 was a year of significant events marked with several global macroeconomic developments with its attendant impact on business performance in Nigeria and the world over. With every sense of humility, I dare say your darling company was able to weather the headwinds through a resilient business model and dedication of our management and Board.

Before I present our operational performance for the year ended 31st December, 2014, it is pertinent that I highlight major events across the globe as well as in the domestic environment that shaped the performance of your company for the year.

Operating Environment

The global economic environment was broadly strengthened with much of the impetus for growth coming from the advanced economies in 2014. The economies of the US and United Kingdom recorded improved consumer spending and lower unemployment rates in response to monetary easing policies of the two countries. Overall, downside risks have diminished in these economies except for lower-than-expected inflation that poses some element of risks.

In the United States, the recovery seems solidly grounded while in Japan, economic policies still need to translate into stronger domestic private demand for the recovery to be sustained. European countries are however on the verge of breakeven as the growth in the zone remained mixed in the face of sovereign debt overhang on some member states (Greece in particular) as well as socio-political crisis in Ukraine with Russia taking the centre stage of the battlefront

The Chinese economy grew at its lowest pace in the last 24 years as GDP expanded by 7.4% against the targeted 7.5% for 2014. This performance was due to lower property investments, dwindling credit growth as well as weakening industrial production. The People Bank of China, in the bid to drive economic growth eased monetary policy for the very first time in two years by cutting interest rates. The impact of this measure is yet to be felt in the economy but a balanced growth is beginning to emerge in China.

There is increased financial volatility in the emerging market economies occasioned by drastic fall in commodity prices and increase in the cost of capital which dampened investments and weigh on growth. The apparent over-reliance on volatile commodities whose prices are subject to external vagaries constitute a high risk factor undermining economic growth in many emerging markets and consequently dragging down global economic growth.

On the domestic scene, despite several challenges that confronted the Nigerian economy in 2014, the country became the largest economy in Africa after the GDP was rebased at a size of $510 billion. This was made possible through the consideration of economic activities like e-commerce and contribution of entertainment industries which was not hitherto factored into the computation of GDP. Real GDP growth rate was therefore recorded at 6.24% against 5.5% recorded in 2013.

The economy however faced a challenging fiscal period occasioned by significant drop in commodity prices, chief of which crude oil that constitutes the largest revenue source for Government at all levels has been seriously affected. This development led to the devaluation of the Naira with a resultant inflationary effect as well as volatile foreign exchange market in the face of persistent insecurity in the North-eastern part of the country.

In the bid to keep inflation under a single digit rate, the Central Bank of Nigeria increased the regulatory Cash Reserve ratio on both the public and private sector deposits to 75% and 20% respectively. It also increased the Monetary Policy Rate by 100 basis point as a measure to defend the Naira at all costs. This was further complemented by announcement and implementation of several policies in the foreign exchange market to stabilize the exchange rate and check the continuous decline of the foreign reserve which dropped by US$9.1 billion in the course of the year to close at US$34.5 billion.

The Capital Market was not left out of the negative impact of the downward commodity prices. The market declined by 16.14% in the year on the face of heightened political risks occasioned by the 2015 general elections. Investor's apathy got to its peak in the last quarter of the year with several foreign investors exiting the Nigerian Bourse for safer investment outlets on the premise that the country might be thrown into chaos should the 2015 elections turn out to be inconclusive for one reason or the other.

The Insurance Industry

The Nigerian Insurance Industry is increasingly becoming a toast of International Investors as evidenced by several mergers and acquisition deals that were consummated in the course of the year. This trend is raising the bar of competition and awakening innovative thinking in product development and distribution channel deployment.

In the same vein, the industry witnessed tremendous changes in the year as a result of more reforms embarked upon by the National Insurance Commission (NAICOM). These include the full implementation of risk based supervision, the introduction of market conduct reforms, claims settlement reforms as well as financial inclusion. They are all geared towards enhancing transparency in the industry and improving the general perception and image of insurance business in Nigeria.

Again, having recognized the need to develop the retail insurance market which has remained grossly untapped considering the vast population of the country, it became imperative for the Commission to incorporate micro-insurance and takaful as important vehicles for achieving greater insurance penetration in the country. NAICOM released several guidelines on the two products to the market in the course of the year.

Operating Result

At the back of the several strategic measures adopted by the Company to withstand the challenges and realities of the operating environment, the company headline performance was somehow affected by the combination of the harsh operating terrain experienced in the course of the year and our response to several regulatory interventions.

Gross Premium for the year ended 31st December, 2014 stood at ₦7.2 billion, a performance that represents 16% decline over a sum of ₦8.6 billion recorded in the previous year.

Profit before tax also declined 62% from ₦857.8 million recorded in the year ended December 2013 to ₦326 million for the year ended 31st December, 2014. In the same vein, Profit after tax decreased by 68% to close the year at ₦294 million from ₦929 million reported in 2013.

The significant decrease in PAT year on year was as a result of ₦582.99 million prior year adjustments on claims reserve passed on the 2013 accounts. This adjustment reduced the value of claims charged against the Profit for the year and consequently increased the PBT for 2013 from ₦274.85 million to ₦857.85 million. The adjustment was however deducted from the retained earnings and did not affect Total Equity as detailed in the statement of changes in Equity.

We believe that the future of the Company is really bright particularly with the implementation of our new business model and deployment of competitive strategies to control better market share and improve our profit level. We will not rest on our oars towards realization of our industry leadership ambition while keeping the company very profitable.

Capitalization

Riding on the strength of your approval at the last Annual General Meeting for the company to embark on appropriate capital raising process via a Rights Issue exercise, the Directors have moved into action and have opened and closed the issuance of shares to existing shareholders at a ratio of 1 for 3 ordinary shares already held at 50kobo per share.

The offer recorded a gross proceed of ₦734,532,951.00 representing 64.1% success rate and this would reflect in the Paid up capital of the Company in year 2015.

The Board of Directors

Every other year, an external consultant conducts an independent review of the Board. In 2014, following this prescribed pattern, an independent review was carried out by a consultant. The review considered key aspects of board effectiveness and a detailed report on the findings was produced and considered by the Board. Its recommendations are currently being implemented by the Board.

Retirement by Rotation

In accordance with the Company's Articles of Association, the following Directors, Mrs. Adefemi Abeke Taire (OFR), Professor Steve Azaiki (OON) and Mr. Oluseun Ajayi are retiring by rotation. Being eligible for re-election, Professor Steve Azaiki (OON) and Mr. Oluseun Ajayi offer themselves for re-election but Mrs. Adefemi Abeke Taire (OFR) has expressed her desire not to be re-elected. I wish to, on behalf of the Company, express our appreciation to her for the years of commitment which she had dedicated to the growth of the company.

Future Outlook

Moving forward, we understand the unprecedented dynamism of the business world. Accordingly, our strategic direction will be crafted to proactively envisage the likely opportunities that are inherent in the Industry and work against possible threats that may adversely affect our operations.

We have for long understood the role of our people in powering the growth objective of the company and would continue to put them at the heart of our operations. We will also continue to equip and develop our staff to ensure that as Individuals and collectively as a company, we are truly grounded in bringing to fruition the wealth creation objective which the company exist to provide for our shareholders.

Similarly, Capitalization issue must be addressed headlong on a continuous basis. Beyond the just concluded Rights Issue, the Board and Management are continuously assessing several initiatives to competitively position the company in the Industry capital wise. This we aim to achieve through a combination of organic and in-organic growth strategies and we will carry you along as we consider several options before us.

The wave of entrance of international brands into the Nigerian Insurance Industry is going to be the game changer in the way we serve the market and administration of claims to customers. We recognize the rapid changing nature of our customers' expectations and are aware of the imperative of embracing innovation and sound initiatives toward meeting their needs through bespoke services. This is a precondition to the attainment of our desired leadership of the Insurance Industry. In this light, we will continue to assess our service platform to ensure that they conform to the best in terms of global standards and are flexible enough to lead positive changes in the market.

Conclusion

Distinguished Shareholders, the changes in our business environment presents uncommon opportunities to deepen our penetration of the market through creativity and ingenuity. There is no illusion that we live in an interesting time where change is inevitable. We have therefore subjected our multilevel strategies to constant and frequent reviews to ensure they are flexible enough to withstand the emerging competition in the industry.

We believe we are competing to win and will definitely be at the vanguard of positive changes in our industry as we move into the future. The project of building the Sovereign Trust of our dream with huge capabilities to create wealth for the Shareholders and meet up with expectations of all Stakeholders is ongoing and we are confident that this will become a reality in the shortest possible time.

I thank you all and pray that God will continue to bless Sovereign Trust and the Nation at large.

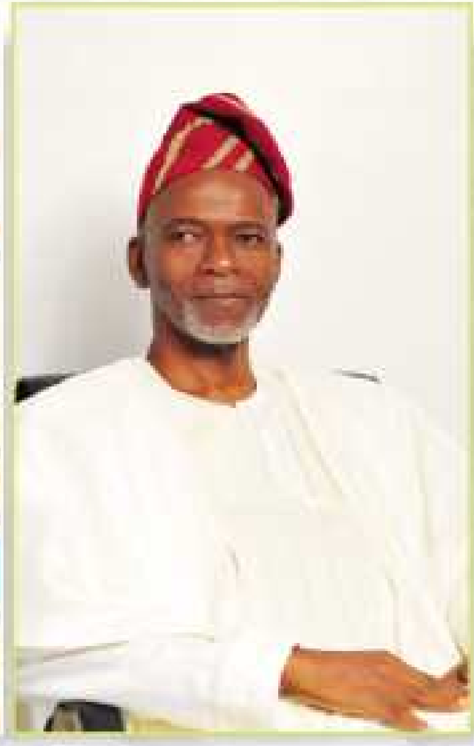
H. H. (Dr.) Ephraim F. Faloughi, OON
Chairman

Board of Directors

Board of Directors

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

Mr. Oluseun O. Ajayi
Vice Chairman



Mr. Bolaji Agbabiaka
Director

Mrs. Adefemi Abeke Taire, OFR
Director

Board of Directors cont'd.

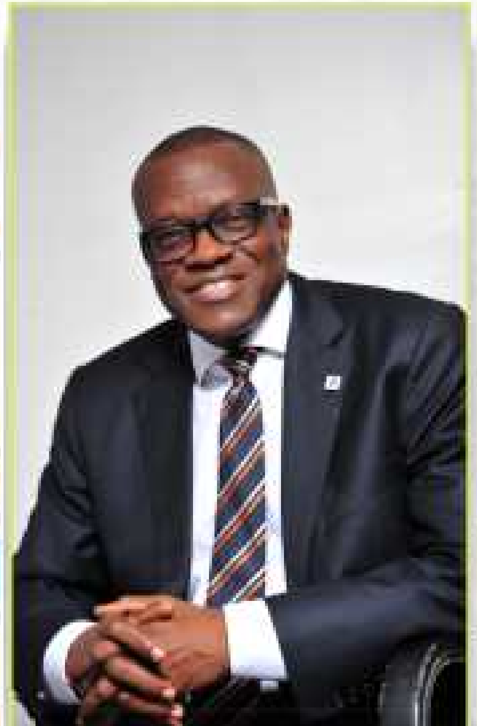
Mr. Kolapo Lawson
Director

Sir (Dr.) Ogala Osoka, MFR
Director

Prof. Steve Azaiki, OON
Director

Colonel Musa Shehu (Rtd), OFR
Independent Director

Board of Directors cont'd.



Mr. Wale Onaolapo
Managing Director/CEO

Mr. Samuel Ogbodu
Executive Director/COO

We emphasize –
client,
claims,
stakeholders,
innovation,
technology,
strategy,
regulations,
teams.

Management Team

Management Team

Wale Onaolapo
Managing Director/CEO

Samuel Ogbodu
Executive Director/COO

Soyinka Olaotan
GM/Divisional Head,
Technical

Ugochi Odemelam
GM/Divisional Head,
Marketing & 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
DGM/Head,
Risk Management & Compliance

Segun Bankole
AGM/Head,
Corporate Communications
& Brand Management

Management Team cont'd.

Olalekan Oguntunde
AGM/Head, ICT

Olanrewaju Ojuola
AGM/ Head, Strategy & Corporate Planning

Management Team cont'd.

Emmanuel Anikibe
AGM/Head, Business Development

Mohammed Bako Alfa
AGM/Head, Northern Operations

Management Team cont'd.

Samuel Oseni
AGM/Head, Internal Audit


Get the cover
you can count on
With
STI Burglary Insurance
At times in life we are faced with ugly situations that could steal your joy. At such moments, remember you can count on our Burglary Insurance Cover to give you a safe haven just like nothing happened.
This Policy covers.
Home/Office Accesories
Tools/Equipment of work.
Stock in trade
Personal Effects
For more information about this and other policies, please visit any of out branches nearest to you or our website
www.stiplc.com
Sunkanmi - 08099928087, Tolu - 08099929123, Onyeka - 08188876882
SOVEREIGN TRUST
INSURANCE PLC
Branches Nationwide
AAAN/0214

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, 2014.

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 ₦30 million and a fully paid up capital of ₦20 million following the acquisition and recapitalization of the then Grand Union Assurances Limited.

The Company which was licensed by the Federal Government of Nigeria to carry out business in all classes of Non-Life insurance and as special risk insurers currently has authorized share capital of N5.2 billion divided into 10.5 billion units of 50k per share with a fully paid up capital of over ₦3.4 billion.

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

Operating Results

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

Comprehensive Income	Dec. 2014
	₦'000
Gross premiums written	7,286,511
Net underwriting Income	5,087,120
Investment, Fee and Other Income	755,153
Total Revenue	5,842,273
Claims expenses	(2,181,184)
Other Expenses	(2,852,936)
Total Benefits, Claims and Other Expenses	(5,034,121)
Profit Before Tax	326,021
Income tax expense	(31,078)
Profit For the Year	294,943
Other Comprehensive Income for the year, net of tax	(27,869)
Total Comprehensive Income for the year, net of tax	267,074
Basic Earnings Per Share	4.74

Board of Directors

The members of the Board of Directors of the company as at December 31, 2014 are as follows:

1. H.H. (Dr.) 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 (Dr.) Ogala Osoka - Director
7. Prof. Steve Azaiki - Director
8. Col. Musa Shehu (Rtd) - Independent Director
9. Mr. Samuel Ogbodu - Executive Director/COO
10. Mr. Wale Onaolapo - Managing Director/CEO

Directors Shareholding

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

Directors	Direct	Indirect	**Total Dec. 2014**	Total Dec. 2013
H.H. (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**	318,917,150
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
Mr. Samuel Ogbodu	31,450,000	-	**31,450,000**	31,450,000
Mr. Wale Onaolapo	104,434,560	-	**104,434,560**	104,434,560

Directors' Indirect Interest

Directors	**Representing**
H.H. (Dr.) Ephraim F. Faloughi	TEEOF HOLDINGS LIMITED
Mr. Oluseun O. Ajayi	SOVEREIGN INVESTMENTS LIMITED
Mrs. A.A. Taire	TWSN NIGERIA LIMITED
Mr. Kolapo Lawson	LAWSONS CORPORATION NIGERIA LIMITED
Prof. Steve Azaiki	BAYELSA STATE GOVERNMENT

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, 2014.

Substantial Interest in Shares

According to the register of members as at December 31, 2014, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

Shareholders	As at December 2014 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, 2014 is as stated below:

Share Range	No of Shareholders	% of Shareholders	No of Holdings	% of Holdings
1-1,000	625	7.08	302,462	0.0
1,001-5,000	1,586	17.96	4,734,940	0.07
5,001-10,000	1,059	11.99	7,839,145	0.11
10,001-50,000	2,876	32.56	72,633,858	1.06
50,001-100,000	984	11.14	70,257,924	1.02
100,001-500,000	1,201	13.60	252,802,211	3.65
500,001-1,000,000	191	2.16	138,527,764	2.02
1,000,001-50,000,000	293	3.32	1,576,264,062	22.94
50,000,001-100,000,000	6	0.07	398,413,693	5.8
100,000,001-Above	11	0.12	4,351,981,335	63.33
	8,832	**100**	**6,871,757,394**	**100**

Complaints Management Policy

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

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, 2014 that would have affected the true and fair view of the Company's state of affairs as at date.

Property, Plant and Equipment

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

Insurance Technical Agreements

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

- Africa Reinsurance Corporation
- Continental Reinsurance Company Limited
- WAICA Reinsurance Pool
- NCA 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.

Securities Trading Policy

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

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

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

Board Committees

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

DIRECTORS	MAR 31, 2014	AUG 12, 2014	OCT 31, 2014	DEC 16, 2014
HH (Dr.) E. F. FALOUGHI(OON)	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES	YES
MR BOLAJI AGBABIAKA	YES	YES	YES	YES
PROF. STEVE AZAIKI (OON)	YES	YES	YES	YES
MR KOLAPO LAWSON	YES	YES	YES	YES
MRS A.A TAIRE (OFR)	YES	YES	YES	YES
SIR OGALA OSOKA (MFR)	YES	YES	YES	YES
COL. MUSA SHEHU (RTD)(OFR)	YES	YES	YES	YES
MR OLAWALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES	YES

RECORD OF ATTENDANCE AT THE FINANCE & GENERAL PURPOSES COMMITTEE MEETINGS FOR 2014

MEMBERS	MAR 27, 2014	JUL 30, 2014	OCT 27, 2014	DEC 10, 2014
MR KOLAPO LAWSON	YES	YES	YES	YES
MR BOLAJI AGBABIAKA	YES	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES	YES
SIR OGALA OSOKA (MFR)	YES	YES	YES	NO
MR WALE ONAOLAPO	YES	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES	YES

RECORD OF ATTENDANCE AT THE INVESTMENT COMMITTEE MEETINGS FOR 2014

MEMBERS	MAR 27, 2014	AUG 11, 2014	DEC 30, 2014
MR OLUSEUN AJAYI	YES	YES	YES
MR. BOLAJI AGBABIAKA	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES

RECORD OF ATTENDANCE AT THE ESTABLISHMENT GOVERNANCE & BUSINESS DEVELOPMENT COMMITTEE MEETINGS FOR 2014

MEMBERS	MAR 28, 2014	AUG 11, 2014	OCT 30, 2014
SIR OGALA OSOKA (MFR)	YES	YES	YES
MRS A.A. TAIRE (OFR)	NO	NO	YES
COL. MUSA SHEHU (RTD) (OFR)	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES

RECORD OF ATTENDANCE AT THE ENTERPRISE RISK MANAGEMENT COMMITTEE MEETINGS FOR 2014

MEMBERS	AUG 6, 2014	SEP 16, 2014	DEC 30, 2014
MR. BOLAJI AGBABIAKA	YES	YES	YES
MR OLUSEUN AJAYI	YES	YES	YES
PROF. STEVE AZAIKI (OON)	YES	YES	YES
MR WALE ONAOLAPO	YES	YES	YES
MR. SAMUEL OGBODU	YES	YES	YES

RECORD OF ATTENDANCE AT THE STATUTORY AUDIT & COMPLIANCE COMMITTEE MEETINGS FOR 2014

MEMBERS	MAR 28, 2014	MAY 27, 2014	JUN 26, 2014
MR. BIMBO OGUNTUNDE	YES	YES	YES
OTUNBA OLUFEMI DINAH	YES	YES	YES
SIR OGALA OSOKA (MFR)	YES	NO	YES
MRS A. A. TAIRE (OFR)	NO	YES	YES

Donations

Donations during the year ended December 31, 2014 amounted to (2013: N2,400,000) as follows:

	2014
	N
Builder and Maker	220,000
Foundation for Vocational Education	250,000
SIFE Foundation Limited	1,000,000
	1,470,000

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 determine their remunerations.

By Order of the Board.

EQUITY UNION LIMITED

Yetunde Martins
Equity Union Limited
Company Secretaries
Lagos, Nigeria

FRC/2013/NBA/00000003399

Date: June 8, 2015

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

The responsibilities include ensuring that:

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

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

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

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

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

- 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 8, 2015 by:

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

....
H.H. (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, 2014 that:

- We have reviewed the report;
- To the best of our knowledge, the report does not contain:
  - ➢ Any untrue statement of a material fact, or
  - ➢ Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;
- To the best of our knowledge, the financial statements and other financial information included in 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

Fueling innovative strategies

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Independent Auditor's Report

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, 2014, and the Statement of Comprehensive Income, Cash Flows Statements and the statement of significant accounting policies on pages 48 to 84 and explanatory notes to the financial statements, as set out on pages 85 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 Financial Reporting Standard (IFRSs) and in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, Financial Reporting Council Act 2011, the Insurance Act 2003 of Nigeria, the Investments and Securities Act 2007 and National Insurance Commission (NAICOM) circulars. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates 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 judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments; the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sovereign Trust Insurance Plc as at December 31, 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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.

Joshua Ansa, FCA
FRC/2013/ICAN/00000001728

For: SIAO (Chartered Accountants)
Lagos, Nigeria

Date: 10/06/2015

To the members of Sovereign Trust Insurance Plc

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

- We have reviewed the scope and planning of the audit for the year ended December 31, 2014 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, 2014.

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

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

Date: April 27, 2015

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, special risk insurance and settlement of claims. The Company, currently having its Corporate Head Office at 17 Ademola Adetokunbo Street, Victoria Island, Lagos with 17 other branches spread across major cities and commercial centers in Nigeria, became a Public Limited Company (Plc) on the 7th of April 2004 and was listed on the Nigerian Stock Exchange on 29th November 2006. These financial statements were authorized by the Board on June 8, 2015.

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 2014 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 in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

3.3.1 Income Taxes

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

3.3.2 Retirement benefits

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

3.3.3 Fair valuation of investment properties

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

Below are the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial period beginning on or after January 1, 2014 that would be expected to have an impact on the company.

IFRS Updates (Effective in 2014 and beyond) and IFRS Updates in 2014

List of amendments

Amendments Issued 2014

IFRIC 21 LEVIES- Effective for annual periods beginning on or after January 1, 2014

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes (IAS 12 Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards.

Levies are defined as outflows of resources embodying economic benefits imposed by governments on entities in accordance with legislation.

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached.

However, the interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities would need to look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standard.

Transition

The interpretation must be applied retrospectively.

Impact

The interpretation is intended to eliminate the current diversity in practice on the treatment for the obligation to pay levies. The scope of this interpretation is very broad and captures various obligations that are imposed by governments in accordance with legislation and sometimes not always described as "levies". Therefore, entities need to consider the nature of payments to government carefully when determining if the payment is in the scope of IFRIC 21.

Amendments to IFRS 10 Amended by Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - Effective for annual periods beginning on or after January 1, 2014

The IASB has published 'Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)', providing an exemption from consolidation of subsidiaries under IFRS 10 'Consolidated Financial Statements' for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition and Measurement'

The key amendments include

- The amendments define an 'investment entity' as an entity that: obtains funds from one or more investor for the purpose of providing those investor(s) with investment management services commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.
- An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. The amendments provide that an investment entity should have the following typical characteristics:
  1. more than one investment
  2. more than one investor
  3. investors that are not related to the entity or other members of the group containing the entity
  4. ownership interests, typically in the form of equity or similar interests (e.g. partnership interests), to which proportionate shares of the net assets of the investment entity are attributed.

If an entity does not meet one or more of these typical characteristics, it is required to justify and disclose how its activities continue to be consistent with that of an investment entity. Additional guidance is provided on detailed specifics in determining whether an entity is an investment entity, such as the impacts of being involved in the day-to-day management of an investee or providing investment-related services to third parties, the nature of the entity, and how the entity measures and manages its financial liabilities.

The types of entities which may meet the definition of an investment entity may include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Where an entity meets the definition of an investment entity, it is not permitted to consolidate its subsidiaries and is required to measure its investments in those subsidiaries at fair value through profit or loss. However, an investment entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the investment entity's investment activities.

The amendments also: introduce new disclosure requirements related to investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements provide an scope exemption for investment entities from IFRS 3 Business Combinations (meaning such entities do not need to apply business combination accounting to the acquisition of subsidiaries) include various consequential amendments to numerous standards.

The amendments do not introduce any new accounting requirements for investments in associates or joint ventures. IAS 28 Investments in Associates and Joint Ventures already permits a venture capital organisation, mutual funds, unit trusts and similar entities including investment-linked insurance funds to elect to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 or IAS 39, and the IASB expects that investment entities would apply these requirements.

Transition

The amendments must be applied retrospectively.

Impact

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

IAS 32 Offsetting Financial Assets and Financial Liabilities- Amendments to IAS 32 Effective for annual periods beginning on or after January 1, 2014

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement system (such as central clearing house systems), which apply to gross settlement mechanisms that are not simultaneous. 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 intent either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanism with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement and therefore meet the net settlement criterion.

Transition

The amendments must be applied retrospectively. Early application is permitted. 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 significant impact on financial statement presentation. The effect on leverage ratios, regulatory capital requirement etc will need to be considered.

IAS 36 Amended by Recoverable Amount Disclosures for Non-Financial Assets (clarification of disclosures required) - Effective for annual periods beginning on or after January 1, 2014

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. However, as written, an entity was required to disclose the recoverable amount for each cash generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

Transition

The amendments must be applied retrospectively.

Impact

As a result of the amendments, entities are no longer required to disclose information that was regarded as commercially sensitive by preparers. This might be a valid reason for entities to early adopt the amendments. Nevertheless, additional information needs to be provided. In general, it is likely that the information required to be disclosed will be readily available.

IAS 39-AMENDMENT BY NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

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

The objective of the amendments is to avoid any impact on an entity's hedge accounting from derecognizing the derivative, following its novation. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. Specifically, the IASB was concerned that the effectiveness for cash flow hedges might not be sufficient to maintain the designation or to designate the novated derivative as a hedging instrument.

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations:

- That arises as a consequence of law or regulations, or the introduction of laws or regulations.
- In which the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties.
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above must be met to continue hedge accounting under this exception. The amendments also cover novations to central counterparties, as well as to assess the changes to the hedging instrument against the de-recognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

Transition

The amendments must be applied retrospectively. However, entities that discontinued hedge accounting in the past, because of a novation that would be in scope of the amendments may not reinstate that previous hedging relationship. Early application is permitted and must be disclosed.

Impact

The amendments are in effect, a relief from the hedge accounting requirements, and will allow entities to better reflect hedge relationships in the circumstances in which the novation exception applies.

AMENDMENT TO IFRS 1- MEANING OF EFFECTIVE IFRS'

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

Transition

The amendment is effective immediately.

IFRS 3 – BUSINESS COMBINATIONS SCOPE EXCEPTIONS FOR JOINT VENTURES

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies that:

- Joint arrangements, not just ventures, are outside the scope of IFRS 3
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment must be applied prospectively.

IFRS 13 FAIR VALUE MEASUREMENT (PORFOLIO EXCEPTION)

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

The amendment must be applied prospectively.

IAS 40 INVESTMENT PROPERTY-INTERRELATIONSHIPS BETWEEN IFRS 3 AND IAS 40

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The description of ancillary services in IAS 40 differentiates between investment property and owner occupied property (i.e.PPE). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40 is used to determine if the transaction is the purchase of an asset or a business combination. The amendment must be applied prospectively.

IFRS 2 SHARE –BASED PAYMENT DEFINITIONS OF VESTING CONDITIONS

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment defines 'performance condition' and 'service condition' in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment must be applied prospectively.

IFRS 3 BUSINESS COMBINATION-ACCOUNTING FOR CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at FVTPL whether or not they fal within the scope of IFRS 9 (or IAS 39, as applicable)

The amendment must be applied prospectively.

IFRS 8 OPERATING SEGMENTS

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

1. **Aggregation of operating segment**
   The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are similar. The amendment must be applied retrospectively
2. **Reconciliation of the total of the reportable segments' assets to the entity's assets**
   The amendment clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
   The amendment must be applied retrospectively

IFRS 13 FAIR VALUE MEASUREMENT-SHORT TERM RECEIVABLES AND PAYABLES

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies in the Basis for Conclusions that short term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

The amendment is effective immediately.

IAS 16 PROPERTY, PLANT AND EQUIPMENT AND IAS 38 INTANGIBLE ASSETS

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

The amendment clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. The amendment also clarifies that accumulated depreciation/amortization is the difference between the gross and carrying amounts of the asset.

The amendment must be applied retrospectively.

IAS 24 RELATED PARTY DISCLOSURES

Effective from July 1, 2014. Earlier application is permitted and must be disclosed

Key Management Personnel

The amendment clarifies that a management entity - an entity that provides key management personnel services is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The amendment must be applied retrospectively.

NEW, AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IFRS 9- Financial Instruments

Effective for annual periods beginning on or after January 1, 2018

Classification and measurement of financial assets

IFRS 9 amendment **clarifies the classification of financial assets and financial liabilities on the basis of contractual cash flows and the business model of the instrument.** All financial assets are, on initial recognition measured at fair value, adjusted for transaction costs if the instrument is not accounted for at FVTPL. Subsequently, equity instruments are generally measured at FVTPL except where there's an irrevocable election on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in OCI. Debt instruments are, measured on the basis of their contractual cash flows and business model under which they are held. Where the instrument has contractual cash flows are solely payments of principal and interest on the principal outstanding and is held with the business model objective of collecting contractual cash flows, it is accounted for at **amortized cost**. However, where the contractual cash flows are solely payments of principal and interest on the principal outstanding and the business model objective is that of collecting contractual cash flows and selling financial assets, it is accounted for at **FVTOCI** with **subsequent reclassification to P or L.** All other debt instruments are subsequently accounted for at **FVTPL.**

IFRS 9 also proposes new impairment requirements based on an **expected credit loss model (ECL)** to replace the IAS 39 incurred loss model. The ECL model is applicable to debt instruments accounted for at **amortised cost** or at **FVOCI**.

Hedge effectiveness testing must be prospective and can be qualitative, depending on the complexity of the hedge. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measured.

IFRS 11- Accounting for Acquisitions of Interests in Joint Operations- Amendments to IFRS 11

Effective for annual periods beginning on or after January 1, 2016

The amendments requires an entity acquiring an interest in a joint operation to apply, to the extent of its shares, all of the principles on business combinations accounting in IFRS 3 business combinations, and other IFRSs, that do not conflict with the requirements of IFRS 11. Also, entities are required to disclose the information required in those IFRSs in relation to business combination. The amendments also apply to an entity on a formation of a joint operation if, an existing business is contributed by the entity of the joint operation on its formation.

The amendments also clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be re-measured if the joint operator retains joint control

IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after January 1, 2016
This standard is applicable to entities whose activities are subject to rate regulation. According to IFRS 14, such entities are to continue applying most of its existing accounting policies for deferred regulatory accounts on 1st time adoption. An entity whose current standards does not allow recognition of rate- regulated assets and liabilities, or that has not previously applied this policy, would not be allowed to recognize them(rate regulated assets and liabilities) on first time application of IFRS. Entities that adopt this standard are to present on the face of the SOFP, the regulatory deferral accounts as separate line items. Also, movements in these account balances are to be presented as separate line items in the SPLOCI.
IFRS 14 requires disclosures on the nature, the risks associated, entity's rate regulation and the effects on its financial statements.

IFRS 15 - Revenue from Contracts with Customers
Effective for annual periods beginning on or after January 1, 2017
IFRS replaces all existing revenue requirements (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue- Barter Transactions Involving Advertising Services)in IFRS and applies to all revenue arising from contracts with customers. It provides a model for recognizing and measuring of sales of some non-financial assets including PPE and Intangible assets.
IFRS 15 outlines the principles to apply to measure and recognize revenue. These principles are to be applied using a five step model. Each step of the model requires entities to exercise judgment and to consider all relevant facts and circumstances when applying the model to contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization-

Amendments to IAS 16 and IAS 38
Key requirements
The amendment clarify the principle in IAS 16 property, plant and equipment and IAS 38 intangible assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the assets is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
Impact
Entities currently using revenue based amortization methods for property, plant and equipment will need to change their current amortization approach to an acceptable

method that result in a different amortization pattern.

IAS 16 and IAS 41 Agriculture: Bearer Plants- Amendments to IAS 16 and IAS 41

Effective for annual periods beginning on or after January 1, 2016
Key requirements
The amendments to IAS 16 and IAS 41 includes bearer plants in the scope of IAS 16.Bearer plants will be subject to the recognition and measurement requirements in IAS 16. Also, government grants relating to bearer plants will be accounted for in accordance with IAS 20, instead of IAS 41.
In the event of applying this amendment for the 1st time, any difference between the fair value used as deemed cost and the previous carrying amount is recognized in retained earnings. Also, in the application of this amendment, where the entity uses the revaluation model in the subsequent measurement of bearer plants, fair value changes should be recognized in the other comprehensive income and not profit or loss. Bearer plants should also be assessed for impairment at the end of each reporting period, in line with IAS 36.
Early application of this amendment is permitted and must be disclosed.

IAS 27 Equity Method in Separate Financial Statements-Amendments to IAS 27
Effective for annual periods beginning on or after January 1, 2016
This amendment was made to restore the option to use the equity method to account for investments in subsidiaries and associates in the entity's financial statements. Therefore, an entity can account for investment either:

- At cost
- In accordance with IFRS 9(or IAS 39)
- Using equity method

Early application of this amendment is permitted and must be disclosed.

IAS 19 Employee Benefits-Discount rate: Regulated Market Issue (Annual Improvements 2012-2014 Cycle)
Effective for periods beginning on or after 1st January, 2016
This amendment clarifies that high quality bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
IAS 28- Amendment on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Effective for annual periods beginning on or after 1st January, 2016
The amendments address a conflict between the requirements of IAS 28 "Investments in Associates and Joint Venture" and IFRS 10 "Consolidated Financial Statements" and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognized depends on whether the assets sold or contributed constitute a business.
The requirements on gain/losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business. Also, gains and losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements. A requirement has been added as to whether assets that are sold or contributed

in separate transactions constitute a business and should be accounted for as a single transaction.
This amendment should be applied prospectively

4 Cash and Cash Equivalents

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

5 Financial Assets

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

5.1 Financial Assets

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

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

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Company as at fair value through profit or loss upon initial recognition.
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the Statement of Comprehensive Income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income. Interest income and expense and dividend income and expenses on financial assets held for trading are included in the Statement of Comprehensive Income.
The Company's investments in quoted equities are carried at fair value through profit or loss.

Loans and Receivables

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

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

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

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

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

C Held to Maturity Financial Assets

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

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

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

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

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

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

(d) Available-for-Sale Financial Assets

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

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

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

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

5.2 Determination of fair value

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide 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 2003 as follows:

A General Insurance Contracts

Reserves for Unearned Premium

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

Reserve for Outstanding Claims

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

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

Reserves for unearned premium

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

B Liability Adequacy Test

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

17 Financial Liabilities

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

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

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

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

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

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

(b) Other liabilities measured at amortised cost

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

18 Trade Payables

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

Derecognition of Trade Payables

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

19 Other Payables and Accruals

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

20 Employee Benefits

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

(a) Pension Costs

The Company operates a defined contribution scheme for its staff and is managed by a highly reputable pension fund administrator. Under the scheme, the company contributes minimum of 10% while each employee contributes minimum of 8% of basic salary, housing and transport allowances on a monthly basis. The Company has no further payment 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 bon ds 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 declare d after the date of the sta tement of finan cial position are disclosed in the subsequent events note.

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

23 Contingency Reserves

Non-life business

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

24 Available-for-Sale Reserve

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

25 Gross Premium

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

26 Reinsurance Expenses

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

27 Underwriting Expenses

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

28 Interest income and Expenses

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

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

29 Dividend Income

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

30 Fees and commission Income

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

31 Other Income

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

32 Management Expenses

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

33 Impairment of Financial Assets

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

a) Assets carried at amortised cost

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

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

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

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

b) Assets classified as available for sale

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

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

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

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

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

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

34 Impairment of non-Financial Assets

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

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

35 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing.

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

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

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

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

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

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

36 Comparatives

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

37 Segment Reporting

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

38 Earnings Per Share

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

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Phase II, Port Harcourt.

REPORT OF THE EXTERNAL CONSULTANTS ON THE EVALUATION OF THE BOARD OF DIRECTORS OF SOVEREIGN TRUST INSURANCE PLC FOR THE YEAR-ENDED DECEMBER 31, 2014.

DCSL Corporate Services Limited (DCSL) was engaged to carry out the appraisal of the Board of Sovereign Trust Insurance Plc. in line with the stipulations of Section 5.07 (iv) of the National Insurance Commission's (NAICOM) Code of Corporate Governance and Section 15 (6) of the Code of Corporate Governance issued by the Securities and Exchange Commission. Our engagement entailed a review of the Company's corporate and statutory documents, the Minutes of Board and Committee meetings, policies currently in place and other ancillary documents made available to us, responses to questionnaires administered as well as information derived from our interaction with Directors. We sought to benchmark the Company's corporate governance structures, policies and processes against the provisions of the Codes of Corporate Governance as well as global Best Practices.

Our appraisal of the Board was premised on seven key corporate governance areas, namely - Board Structure and Composition; Strategy and Planning; Board Operations and Effectiveness; Measuring and Monitoring of Performance; Risk Management and Compliance; Corporate Citizenship; and Transparency and Disclosure.

Having reviewed these structures, processes and procedures we are of the opinion that the Board has substantially complied with the provisions of the NAICOM and SEC Codes of Corporate Governance. We confirm that the Board of STI comprises of Directors with divers professional background, relevant skills, expertise and competencies required to pilot the affairs of the Company. The Board, assisted by its various Committees, also has the appropriate mix and balance of individuals necessary to guarantee the going-concern status of the Company and the achievement of its corporate and strategic goals.

We however urge the Board to pay more attention to its oversight of Risk Management. In this regard we encourage the Board to undertake an annual detailed risk assessment covering all aspects of the Company's business in line with Section 29.2 (c) of the SEC Code. The results of the risk assessment would provide the basis for updating the Enterprise Risk Management Framework. We also urge the Board to consider appointing an additional female Director as previously recommended to engender greater diversity on the Board.

Details of our key findings and other recommendations are contained in our Report.

Yours faithfully,
For: DCSL Corporate Services Limited

Bisi Adeyemi
Managing Director

DCSL Corporate Services Limited

TWO DECADES; SAME VALUES

SUPERIOR CUSTOMER SERVICE

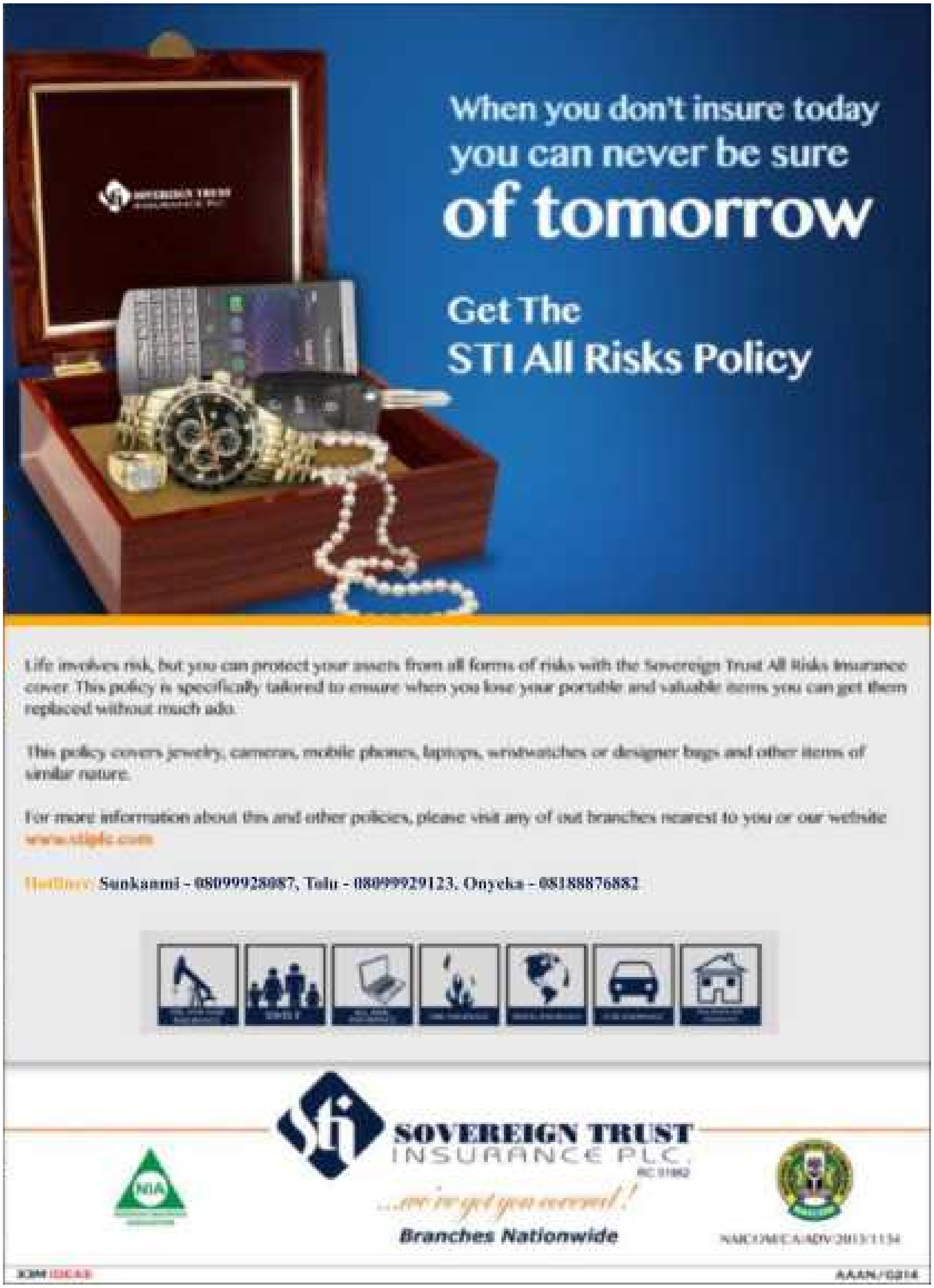
INNOVATION

PROFESSIONALISM

INTEGRITY

EMPATHY

TEAM SPIRIT


When you don't insure today
you can never be sure
of tomorrow
Get The
STI All Risks Policy
Life involves risk, but you can protect your assets from all forms of risks with the Sovereign Trust All Risks Insurance cover. This policy is specifically tailored to ensure when you lose your portable and valuable items you can get them replaced without much ado.
This policy covers jewelry, cameras, mobile phones, laptops, wristwatches or designer bags and other items of similar nature.
For more information about this and other policies, please visit any of out branches nearest to you or our website
www.stiplc.com
Sunkanmi - 08099928087, Tolu - 08099929123, Onyeka - 08188876882
SOVEREIGN TRUST
INSURANCE PLC
Branches Nationwide
NAICOM/CA/ADV/2013/1134
AAAN/0214

Statement of Financial Position

	Notes	Dec. 2014	Dec. 2013
Assets		N'000	N'000
Cash and cash equivalents	1	2,236,085	1,932,889
Financial assets:			
- Available for sale	2.1	319,242	377,710
- Fair value through profit and loss	2.2	320,550	420,560
- Held at maturity	2.3	40,000	30,000
- Loans and receivable	2.4	187,164	182,998
Trade Receivables	3	57,551	98,328
Reinsurance Assets	4	2,011,841	2,652,287
Deferred Acquisition Costs	5	568,819	548,295
Other Receivables and Repayment	6	158,710	184,957
Investment in Associate	7	49,202	50,255
Investment Properties	8	1,339,084	1,222,022
Property, Plant and Equipment	9	783,098	548,586
Statutory Deposits	10	315,000	315,000
Intangible Assets	11	25,775	6,201
Deferred Tax Assets	18	80,725	79,207
Total Assets		**8,492,846**	**8,649,296**
Liabilities			
Insurance contract liabilities	12	3,073,723	3,472,833
Debt Securities in Issue	13	806,590	1,066,897
Trade Payables	14	140,147	177,238
Other Payables & Accruals	15	37,905	79,657
Retirement Benefit Obligations	16	240,689	336,442
Current Tax Payable	17	32,937	32,732
Total Liabilities		**4,331,991**	**5,165,799**
Equity			
Issued share capital	19	3,435,879	3,435,879
Share premium	20	116,843	116,843
Contingency reserve	21	1,671,227	1,452,632
Retained earnings	22	(1,486,794)	(1,548,875)
Available for Sale Reserve	23	13,416	27,018
Deposit for Share	24	410,284	-
Total Equity		**4,160,855**	**3,483,497**
Total Equity and Liabilities		**8,492,846**	**8,649,296**

These accounts were approved by the Board on June 8, 2015 and signed on its behalf by:

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

The significant accounting policies on Pages 48 to 76 and the accompanying explanatory notes on pages 85 to 139 form an integral part of these financial statements.

	Notes	Dec. 2014 ₦'000	Dec. 2013 ₦'000
Gross Premiums Written		**7,286,511**	8,673,676
Gross Pemium Income		**7,656,639**	7,437,639
Reinsurance expenses		**(3,050,598)**	(3,128,490)
Net premiums Earned	25	**4,606,041**	4,309,149
Fee and Commission Income	26	**481,079**	609,504
Net underwriting income		**5,087,120**	4,918,653
Claims expenses	27	**(2,181,184)**	(1,168,961)
Underwriting expenses	28	**(1,198,872)**	(1,281,533)
Underwriting profit		**1,707,064**	2,468,159
Investment income	29	**112,132**	282,279
Other income	30	**112,981**	33,138
Bad debt recovered	31	**-**	159,441
Foreign exchange differences	32	**48,962**	(50,743)
Impairments	31a	**-**	(290,471)
Share of loss in Associate Company	33	**(1,053)**	(23,945)
Management expenses	34	**(1,490,060)**	(1,538,451)
		490,025	1,039,407
Finance Cost	35	**(164,004)**	(181,557)
Profit before tax		**326,021**	857,850
Income taxes	17	**(31,078)**	72,071
Profit after tax		**294,943**	929,920
Other Comprehensive Income			
Amount that can be reclassified to Profit or Loss			
Actuarial gains/(losses) in defined gratuity scheme	36	**(14,267)**	(29,715)
- Unrealised net (losses)/gains arising during the period	37	**(13,602)**	27,478
Other comprehensive income for the year, net of tax		**(27,869)**	(2,237)
Total Comprehensive Income for the Year		**267,074**	927,683
Basic Earnings Per Share (kobo)	38	**4.74**	12.48

The significant accounting policies on pages 48 to 76 and the accompanying explanatory notes on pages 85 to 139 form an integral part of these financial statements.

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

	Share Capital	Share Premium	Retained Earnings	Available for Sale Reserve	Deposit For Shares	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	-	-	929,920	-	-	-	929,920
Reclassification adjustment	-	-	(582,991)	-	-	-	(582,991)
Comprehensive Income	-	-	(29,715)	27,478	-	-	(2,237)
Total comprehensive income	3,435,879	116,843	(1,288,665)	27,018	-	1,192,422	3,483,497
Transaction with owners:							
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**

Reclassification adjustment represents additional provision made in respect of claim. This is reclassified from increase/(drecrease) in provision for outstanding claim.

	Note	31 Dec. 2014	31 Dec. 2013
Operating activities		₦'000	₦'000
Premium received from policy holders	3.3	7,228,960	8,575,348
Reinsurance receipt in respect of claim		237,847	755,833
Cash paid to and on behalf of employees	24a	(740,040)	(794,172)
Reinsurance premium paid		(3,050,598)	(3,128,490)
Other Operating cash payments		(820,023)	(2,308,120)
Claims paid	27	(2,448,014)	(1,927,622)
Company income tax paid	17	(32,391)	(124,359)
Net cash provided by operating activities	39	375,741	1,048,418
Investing activities			
Purchase of Fixed Assets	9	(324,241)	(144,213)
Purchase of intangible asset	11	(24,226)	(6,201)
Disposal /(Purchase) of investments		96,883	(18,621)
Proceed on Sale of Fixed Assets		633	1,425
Purchase of investment property	8	(53,582)	(168,992)
Interest Expense		(109,896)	(122,715)
Interest & rental income	29	191,906	117,870
Net cash inflow/(outflow) in investing activities		(222,522)	(341,446)
Financing activities			
Redemption on bond liability	13	(260,307)	59,122
Deposit for shares	24	410,284	-
Net cash (outflow)/inflow from financing activities		149,977	59,122
(Decrease)/Increase in cash and cash equivalents		303,196	766,093
Cash and cash equivalents at January 1,		1,932,889	1,166,795
Cash and cash equivalents at December 31, 2014		2,236,085	1,932,889
Cash and cash equivalents at end of year comprises			
Cash and cash equivalents	39a	2,236,085	1,932,889

The significant accounting policies on pages 48 to 76 and the accompanying explanatory notes on pages 85 to 139 form an integral part of these financial statements.

1	Cash and Cash Equivalents	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Cash	1,766	8,252
	Local bank balances	824,593	958,872
	Short term deposit and placements	1,409,726	965,765
		2,236,085	1,932,889

2	Financial Assets:	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Available for sale (Note 2.1)	319,242	377,710
	Fair value through profit & loss (Note 2.2)	320,550	420,560
	Held to maturity (Note 2.3)	40,000	30,000
	Loans and receivable (Note 2.4)	187,164	182,998
		866,956	1,011,268
	Current	506,406	560,708
	Non-current	360,550	450,560
		866,956	1,011,268

2.1	Available for Sale	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Placements with banks and other financial institutions (Note 2.1.1)	195,824	274,190
	Unquoted equity securities at fair value (Note 2.1.3)	123,418	103,520
		319,242	377,710

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

2.1.1	Movement in placement with banks		
	Opening balance	274,190	128,318
	Interest adjustment	13,740	5,872
	Addition during the year	79,974	140,000
	Disposal/transfer during the year	(172,080)	-
		195,824	274,190

2.1.2 Movement in unquoted stock	Dec. 2014	Dec. 2013
	₦'000	₦'000
Opening balance	103,520	87,662
Fair value adjustment	(13,602)	27,478
Addition during the year	33,500	20,000
Disposal/transfer during the year	-	(31,620)
	123,418	103,520

2.2 Fair value through profit or loss

Opening balance	420,560	333,768
Fair value adjustment	(88,367)	121,148
Addition during the year	530,301	321,981
Disposal/transfer during the year	(541,944)	(356,337)
Quoted equity securities at fair value	320,550	420,560

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

2.3 Held to maturity

Open balance	30,000	20,000
Addition during the year	20,000	10,000
Matured during the year	(10,000)	-
	40,000	30,000

2.3.1 Held to maturity Financial Asset

Osun State Bond	10,000	10,000
Osun Sukuk Bond	10,000	10,000
Lagos State Bond	-	10,000
FCMB SPV Bond	20,000	-
	40,000	30,000

The held to maturity investment relates to the fixed rate bond of Osun State bond and Osun Sukuk bond, with a coupon rate of 14.75% and 14.75% respectively; the bond mature on December 2019 and September 2020 respectively.

During the year, Lagos State Bond of N10m matured while FCMB financing SPV series bond with coupon rate of 14.25% and maturing November 2021 was purchased.

2.4 Loans and Receivables

Mortgage loan	48,284	53,968
Loans to organisation	34,449	36,549
	82,733	90,516
Managed fund	104,431	92,481
	187,164	182,997

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

2.5 Movement in Loans

Opening balance	90,516	206,353
Repayment during the year	(5,893)	(115,837)
Amortised cost adjustment	(1,890)	-
	82,733	90,516

2.6 Movement in Managed Fund	Dec 2014	Dec 2013
	₦'000	₦'000
Opening balance	92,481	63,455
Interest on fund	11,950	29,026
	104,431	92,481

		Dec. 2014	Dec. 2013
3	**Trade Receivable**	**₦'000**	₦'000
	Amount due from Insurance Brokers	**48,579**	98,328
	Due from Insurance Companies	**8,972**	-
		57,551	98,328

The balance on trade receivable represents amount collected within 30 days after 31st December 2014

3.1	**Analysis of Trade Receivables**		
	Brokers	**48,579**	98,328
	Insurance Companies	**8,972**	-
		57,551	98,328
3.2	**Movement in Trade Receivables**		
	At 1 January	**98,328**	1,149,175
	Gross premium written	**7,286,511**	8,673,676
	Premium Received (Note 3.3)	**(7,327,288)**	(9,724,523)
	At 31 December	**57,551**	98,328
3.3	**Analysis of Premium Received**		
	Prior year	**98,328**	1,149,175
	Current Year	**7,228,960**	8,575,348
		7,327,288	9,724,523
3.4	**The age analysis of trade receivable**		
	Under 90 days	**57,551**	98,328
	91-180 days	**-**	-
	Above 180 days	**-**	-
		57,551	98,328
4	**Reinsurance assets**		
	Reinsurance assets	**2,011,841**	642,344
	Prepaid Reinsurance	**-**	2,009,943
		2,011,841	2,652,287
4.1	**Reinsurance Recoverable**		
	Reinsurance assets- Outstanding claim	**642,344**	623,120
	Reinsurance assets- Unearned Premium	**1,369,497**	19,224
		2,011,841	642,344

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	**Outstanding Claim Reinsurance Assets**		
	Opening balance	**642,344**	623,120
	Reinsurance Cost during the year	**2,963,720**	3,147,714
		3,606,064	3,770,834
	Less Amortised Reinsurance Expenses	**(3,050,598)**	(3,128,490)
		555,466	642,344

		Dec. 2014	Dec. 2013
4.3	**Unearned Premium Reinsurance Assets**	₦'000	₦'000
	Opening balance	2,009,943	699,192
	Change in reinsurance recoverable	(553,569)	1,310,751
		1,456,375	2,009,943

		Dec. 2014	Dec. 2013
5	**Deferred Acquisition Cost**	₦'000	₦'000
	Opening balance	548,295	541,467
	Addition during the year	1,029,826	1,046,903
	Charged during the year	(1,009,302)	(1,040,075)
		568,819	548,295

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

5.1	**Deferred Acquisition Costs by Class**		
	Motor	122,742	109,128
	Fire and property	72,278	64,230
	Marine and aviation	45,620	59,170
	General Accident	94,013	102,326
	CAR/Engineering	20,265	40,425
	Energy	213,901	173,017
		568,819	548,295

6	**Other Receivables & Prepayments**		
	Staff debtors	9,858	1,751
	Prepayments	148,852	122,298
	Other receivable	-	60,907
	Total Other Debtors and Prepayments	158,710	184,957

Other receivable is an advance payment of N60,907,000 which represents interest payment on JPY 846,000,000 Daewoo Loan

7	**Investment in Associate**		
	Investment STI Leasing	74,200	74,200
	Share of loss in STI Leasing (7.1)	(24,998)	(23,945)
		49,202	50,255
7.1	**Analysis of Share of Associate Loss**		
	Opening balance	(23,945)	-
	Share during the year	(1,053)	(23,945)
		(24,998)	(23,945)

The Company has 43% interest in STI Leasing Limited, which is involved in Leasing services to private and public sector contributors. STI Leasing Limited was incorporated as a Limited Liability Company under the 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 Properties	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Opening carrying amount	1,222,022	1,053,030
	Additions during the year	53,583	148,325
	Disposals during the year	(20,260)	-
	Fair value gain	83,739	20,666
	Balance at the end of the year	1,339,084	1,222,022

		Dec. 2014	Dec. 2013
8a	Investment Properties	₦'000	₦'000
	May fair gardens	30,000	28,000
	Royal gardens Estate	55,000	50,000
	Damac Properties	93,431	93,431
	Ibeshe properties	43,000	42,732
	Agbara Estate properties	203,707	203,707
	Lekki properties	-	20,260
	Sunrise Estate Ipaja	37,000	37,000
	Solteby Apartment	27,000	20,000
	Investment Properties along Epie Swali Road Yenagoa	47,300	42,800
	Investment Properties in Emerald court Victoria Island	122,000	117,000
	Investment Properties at Alagbaka Junction Akure	380,646	280,464
	Investment Properties along Awolowo Road Ikoyi	250,000	250,000
	Investment Properties at old Yaba Road	50,000	36,628
		1,339,084	1,222,022

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 2014 and 2013.

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.

9 Property, Plant and Equipment

	Land ₦'000	Buildings ₦'000	Work in Progress ₦'000	Leasehold Improvement ₦'000	Office Equipment ₦'000	Furniture & Fittings ₦'000	Computer Equipment ₦'000	Motor Vehicles ₦'000	Plant & Machinery ₦'000	Total ₦'000
Cost										
At January 1, 2014	67,302	231,682	-	118,286	74,400	108,457	183,519	802,319	56,239	1,642,205
Additions	-	-	165,447	15,728	2,811	1,015	8,085	131,155	-	324,241
Disposals	-	-	-	-	(175)	-	-	(16,200)	-	(16,375)
At 31 December 2014	67,302	231,682	165,447	134,014	77,036	109,472	191,604	917,274	56,239	1,950,071
Accumulated Depreciation										
At January 1, 2014	-	(42,952)	-	(44,276)	(69,913)	(82,529)	(177,021)	(649,937)	(26,990)	(1,093,619)
Charge for the year	-	(1,545)	-	(3,314)	(4,326)	(5,474)	(9,442)	(62,816)	(2,812)	(89,729)
Disposals	-	-	-	-	175	-	-	16,200	-	16,375
At 31 December 2014	-	(44,497)	-	(47,590)	(74,065)	(88,003)	(186,463)	(696,553)	(29,802)	(1,166,973)
Net Book Amount at 31 December 2014	67,302	187,186	165,447	86,424	2,971	21,470	5,141	220,721	26,438	783,098
Net Book Amount at 31 December 2013	67,302	188,730	-	74,010	4,487	25,928	6,497	152,382	29,249	548,586
Cost										
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
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	1,642,205
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)	(1,093,618)
Net Book Amount at 31 December 2013	67,302	188,730	-	74,010	4,487	25,928	6,498	152,382	29,249	548,587
Net Book Amount at 1 January 2012	-	191,433	-	72,158	3,383	22,547	1,345	174,523	20,056	552,747

10 Statutory deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2014 (31 December, 2013 : ₦315,000,0000, in accordance with section 9(1) and section 10(3) of Insurance Act 2003. Statutory deposits are measured at cost.

	Dec. 2014 ₦'000	Dec. 2013 ₦'000
Statutory Deposit	**315,000**	315,000

11 Intangible Assets - Computer Software

	Dec. 2014	Dec. 2013
Cost		
Opening Balance	9,296	-
Additions during the year	24,226	9,296
Closing Balance	**33,522**	9,296
Amortisation		
Opening Balance	3,096	-
Amortisation	4,651	3,096
Closing Balance	**7,747**	3,096
Carrying Amount	**25,775**	6,201

12 Insurance Contract Liabilities

	Dec. 2014	Dec. 2013
Outstanding reported claims	985,430	901,866
Incurred But Not Reported (IBNR)	98,543	211,090
Total Outstanding Claim (Note 12a)	1,083,973	1,112,956
Unearned premium provision (Note 12b)	1,989,750	2,359,878
	3,073,723	3,472,834
Current	3,073,723	3,472,833
Non-current	-	-
	3,073,723	3,472,833

12a **Outstanding Claims Reserve**	Dec. 2014 ₦'000	Dec. 2013 ₦'000
As at January 1	1,112,956	1,115,784
Movement in OCR	(28,983)	(2,828)
As at December 31	1,083,973	1,112,956

12b **Unearned Premium Provision**	Dec. 2014 ₦'000	Dec. 2013 ₦'000
At the beginning of the year	2,359,878	1,123,841
Gross Premium written	7,286,511	8,673,676
Gross Premium Earned	(7,656,639)	(7,437,639)
	1,989,750	2,359,878

		Dec. 2014	Dec. 2013
12c	**Liabilities as Per Class of Business**		
	Outstanding Claim	₦'000	₦'000
	Motor Vehicle	234,593	183,900
	Fire and property	134,597	166,907
	Marine & Aviation	87,266	176,901
	General Accident	178,748	141,121
	C. A. R Engineering	38,752	20,824
	Energy	410,018	423,302
		1,083,973	1,112,956

12d	**Unearned Premium Provision**		
	Motor vehicle	155,360	71,769
	Fire and property	91,485	75,650
	Marine & Aviation	57,743	48,711
	General Accident	118,996	52,274
	C. A. R Engineering	25,651	52,071
	Energy	1,540,515	2,059,402
		1,989,750	2,359,878

12e	**Allocation of Assets to Policy holder**		
	Cash and cash equivalent	2,033,931	1,773,729
	Financial Assets	356,727	442,653
	Investment Properties	676,078	196,732
	Reinsurance Assets	2,011,841	2,652,287
		5,078,577	5,065,401

12f	**Cash and cash equivalent**		
	Policy holders Fund	2,033,933	1,773,729
	Share holders Fund	202,152	159,160
		2,236,085	1,932,889

12g	**Available for Sale**		
	Policy holders Fund	195,824	125,797
	Share holders Fund	123,418	251,913
		319,242	377,710

		Dec. 2014	Dec. 2013
12h	**Fair Value Through Profit or Loss**	₦'000	₦'000
	Policy holders Fund	160,903	316,857
	Share holders Fund	159,647	103,703
		320,550	420,560

12i	**Held to Maturity**		
	Policy holders Fund	20,000	-
	Share holders Fund	20,000	30,000
		40,000	30,000

12j	**Loans and Receivables**		
	Policy holders Fund	-	-
	Share holders Fund	187,164	182,998
		187,164	182,998

12k	**Investment Properties**		
	Policy holders Fund	676,078	196,732
	Share holders Fund	663,006	1,025,290
		1,339,084	1,222,022

12l	Investment in Associate Company	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Policy holders Fund	-	-
	Share holders Fund	49,202	50,255
		49,202	50,255

13	Debt Securities in Issue	Dec. 2014	Dec. 2013
		₦'000	₦'000
	As at January 1	1,066,897	1,007,775
	Redemptions	(240,740)	(154,028)
	Changes in Interest and Exchange rate in Bonds obligation	-	162,407
	Exchange differences	(19,567)	50,743
	As at December 31	806,590	1,066,897

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

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

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

14	Trade Payables		
	Due to reinsurers	120,077	152,668
	Due to insurance companies	20,071	24,570
		140,147	177,238

15	Other Payables		
	Lease creditors	13,027	23,369
	Accrued expenses	14,885	12,592
	Sundry creditors	9,993	43,697
		37,905	79,657

16 Retirement Benefit Obligations

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

	Dec. 2014	Dec. 2013
Consolidated statement of financial position obligation for:	₦'000	₦'000
Staff Gratuity Plan	240,689	336,442
Income statement charge for:		
Staff Gratuity Plan	-	40,696

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. 2014	Dec. 2013
	₦'000	₦'000
Present value of funded obligations	336,442	271,642
Reversal of previous year curtailment	(64,732)	
Fair value of plan assets	(31,021)	64,800
Present value of unfunded obligations	**240,689**	336,442

The movement in the defined benefit obligation over the year is as follows:	Dec. 2014	Dec. 2013
	₦'000	₦'000
As at January 1	336,442	271,641
Current service cost	-	20,046
Interest cost	-	20,650
Reversal of previous year curtailment	(64,732)	-
Actuarial losses/(gains)	14,267	42,450
Benefits paid	(45,288)	(18,345)
As at December 31, 2014	**240,689**	336,442

The amounts recognized in the income statement are as follows:	Dec. 2014	Dec. 2013
	₦'000	₦'000
Current service cost	-	20,046
Interest cost	-	20,650
Total, included in staff costs	**-**	40,696

The principal actuarial assumptions were as follows:		
Average long term discount rate (p.a.)	14%	14%
Average long term rate of inflation (p.a.)	9%	9%
Average long term pay increase (p.a.)	12%	12%

Mortality in Service

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

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

Withdrawal from Service

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

17	Taxation	Dec. 2014	Dec. 2013
	Income Tax Expense	**₦'000**	₦'000
	Company income tax	**29,520**	15,261
	Education Tax	**-**	4,652
	IT Development Levy (NITDA)	**3,075**	2,966
	Total current tax	**32,595**	22,879
	Deferred Tax		
	Origination and reversal of temporary differences	**(1,518)**	(94,950)
	Impact of change in tax rate		-
	Amount of previously unused tax losses	**-**	-
	Write down or reversal of deferred tax assets		-
	Total Deferred Tax	**(1,518)**	(94,950)
	Income Tax Expense	**31,077**	(72,071)

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

	Dec. 2014	Dec. 2013
Profit Before Income Tax	**326,021**	857,850
Tax calculated at the corporate tax rate (30%)	**97,806**	257,355
Effect of:		
Non-deductible expenses	**89,729**	-
Education tax levy	**-**	4,652
IT Development Levy (NITDA)	**3,075**	2,966
Tax exempt income	**(159,532)**	(337,044)
Tax Incentive		
Total income tax expense in income statement	**31,078**	(72,071)
Effective tax rate	**10.11%**	8.4%

The current tax charge has been computed at the applicable rate of 30% (31 December 2013: 30%) plus education levy of 2% (31 December 2013: 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. 2014	Dec. 2013
	₦'000	₦'000
As at January 1	**32,732**	127,506
Tax paid	**(32,391)**	(124,359)
Income tax charge	**32,596**	29,584
As at December 31	**32,937**	32,732
Current	**32,937**	32,732
Non-current	**-**	-
	32,937	32,732

18 Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % for 2014 and 2013 respectively.

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

	Dec. 2014	Dec. 2013
Deferred tax liabilities	₦'000	₦'000
Fixed assets	79,207	(35,183)
	79,207	(35,183)
Deferred tax assets		
Defined benefit obligation	1,518	114,390
	1,518	114,390
As at December 31	80,725	79,207

	Dec. 2014	Dec. 2013
	₦'000	₦'000
Net Deferred Tax asset/(Liability)	80,725	79,207

Deferred Tax Assets/(liability)		
To be recovered after more than 12 months	1,518	114,390
To be recovered within 12 months	-	-
	1,518	114,390

Movements in temporary differences during the year:	1 Jan. 2014	Recognized in P&L	Recognized in OCI	31 Dec. 2014
	₦'000	₦'000	₦'000	₦'000
Fixed assets	59,767	10,824	-	70,591
Defined benefit obligation	19,440	(9,306)	-	10,134
	79,207	1,518	-	80,725

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

19	Share Capital	Dec. 2014	Dec. 2013
	Authorized	**₦'000**	₦'000
	10,500,000,000 Ordinary Shares of 50k each	**5,250,000**	5,000,000
	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
	As at December 31	**3,435,879**	3,435,879

20	Share Premium		
	As at January 1	**116,843**	116,843
	Share raising expenses	**-**	-
	As at December 31	**116,843**	116,843

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

21	Contingency Reserve		
	As at January 1	**1,452,632**	1,192,422
	Transfer from retained earnings	**218,595**	260,210
	As at December 31	**1,671,227**	1,452,632

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

22	Retained Earnings	Dec. 2014	Dec. 2013
		₦'000	₦'000
	As at January 1	**(1,548,875)**	(1,605,880)
	Statement of comprehensive income	**294,943**	929,920
	Reclassification adjustment	**-**	(582,991)
	Other Comprehensive Income	**(14,267)**	(29,715)
	Transfer to Contingency Reserve	**(218,595)**	(260,210)
	As at December 31	**(1,486,795)**	(1,548,875)

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

Reclassification adjustment represents additional provision made in respect of claim. This is reclassified from increase/(decrease) in provision for outstanding claim.

		Dec. 2014	Dec. 2013
23	**Available for Sale Reserve**	**₦'000**	₦'000
	As at 1 January	**27,018**	(460)
	Transfer from Other Comprehensive Income	**(13,602)**	27,478
		13,416	27,018

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

24	Deposit for Shares	410,284	-

Deposit for Shares represent deposit made by shareholder as advance payment for allotment of the commensurate of shares of the respective depositors entitlement as the rights offer of shares. The depositors renounce any right to a refund of their respective contribution to the funds unless in the event of any failure by the company to allot the share consideration.

		Dec. 2014	Dec. 2013
25	**Net Premium Income**	**₦'000**	₦'000
	Gross premium written	**7,286,511**	8,673,676
	Provision for unearned premium (Note 25a)	**370,128**	(1,236,037)
	Gross premium income	**7,656,639**	7,437,639
	Reinsurance cost (Note 25b)	**(3,050,598)**	(3,128,490)
		4,606,041	4,309,149
25a	**Increased/(Decrease) in unearned premium**		
	Motor	**124,534**	106,938
	Fire and property	**158,107**	87,136
	Marine & Aviation	**52,766**	79,670
	General Accident	**160,847**	90,120
	C.A.R and Engineering	**70,291**	65,365
	Energy	**(936,673)**	806,808
		(370,128)	1,236,037
25b	**Reinsurance Cost**		
	Motor	**32,037**	25,560
	Fire and property	**162,290**	200,820
	Marine & Aviation	**155,588**	199,521
	General Accident	**178,147**	256,010
	C.A.R and Engineering	**44,649**	76,859
	Energy	**2,477,887**	2,369,720
		3,050,598	3,128,490

26 Fee and Commission Income

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

	Dec. 2014	Dec. 2013
	₦'000	₦'000
Motor	**485**	376
Fire and property	**49,542**	70,743
Marine & Aviation	**37,935**	55,583
General Accident	**56,362**	85,356
C.A.R and Engineering	**13,640**	39,666
Energy	**323,114**	357,781
	481,079	609,504

27	**Claims Expenses**		
	Current year claim paid	**2,448,014**	1,927,622
	Movement in outstanding claims provision	**(28,983)**	(2,828)
		2,419,031	1,924,794
	Recoverable from reinsurer	**(237,847)**	(755,833)
		2,181,184	1,168,961

		Dec. 2014	Dec. 2013
28	**Underwriting Expenses**	**₦'000**	₦'000
	Acquisition cost-Commission Paid	**1,009,302**	1,040,075
	Maintenance cost	**189,570**	241,459
		1,198,872	1,281,533

29	**Investment Income**		
	Interest income	**166,046**	117,870
	Dividend from Quoted investments	**8,593**	12,805
	Rental income	**25,860**	30,456
	Stock Trading (Loss)/Income	**(88,367)**	121,148
		112,132	282,279

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

29a	**Allocation of Investment Income**		
	Policy holders Fund	**82,152**	184,494
	Share holders Fund	**29,980**	97,785
		112,132	282,279
30	**Other Operating Income**		
	Profit on sale of fixed assets	**633**	1,425
	Fair value gain on investment properties	**83,739**	20,666
	Other incomes	**28,609**	11,047
		112,981	33,138

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

31	**Bad Debt Recovered**	**-**	159,441

This represents amount recovered from previously written off debt.

31a	**Impairments**		
	Bad debt written off	**-**	128,064
	Changes in Interest and Exchange rate in Bonds obligation	**-**	162,407
		-	290,471
32	**Foreign Exchange Difference**	**48,962**	(50,743)

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

33	**Share of Loss in Associate Company**		
	Associate loss	**(2,443)**	(55,686)
	Share of Associate Loss (43%) in 2014	**(1,053)**	(23,945)

Investment in Associate was accounted for using the equity method (IAS28).

		Dec. 2014	Dec. 2013
34	**Management Expenses**	**₦'000**	₦'000
	Auditors Remuneration	**7,500**	7,500
	Employee Benefits (34a)	**740,040**	794,172
	Other Management Expenses (34b)	**652,791**	588,406
	Depreciation	**89,729**	148,373
		1,490,060	1,538,451
34a	**Employee Benefits**		
	Salaries	**713,552**	760,523
	Defined contribution pension costs	**26,488**	19,389
	Defined benefit retirement gratuity costs	**-**	14,260
		740,040	794,172

34b	Other Management Expenses	Dec. 2014	Dec. 2013
		₦'000	₦'000
	Travel and Representation	122,810	32,356
	Advertising	133,972	112,826
	Occupancy Expenses	48,415	38,208
	Communication and Postages	3,950	18,622
	Data Processing	33,542	19,516
	Office Supply and Stationery	18,856	19,581
	Fees and Assessments	115,519	93,170
	Furniture, Equipments,Maintenance and Miscellaneous Expenses	175,726	254,127
		652,791	588,406

35	Finance Cost		
	Bank Charges	52,219	58,842
	Amortised cost Adjustment	1,890	-
	Interest paid on Daewoo bond	109,695	122,715
		164,004	181,557

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

36	**Actuarial losses in defined gratuity scheme**	(14,267)	(29,715)
37	**Unrealised fair value gains/ (losses) on Available for Sale**	(13,602)	27,478

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

38 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. 2014	Dec. 2013
	₦'000	₦'000
Profit/(loss) of the Company	326,021	857,850
Weighted average number of ordinary shares in issue (6,871,757,394 Ordinary Shares of 50k each)	6,871,757	6,871,757
Basic earnings per share (expressed in Kobo per share)	4.74	12.48

Diluted

There is no dilution of earnings per share.

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

	Dec. 2014	Dec. 2013
	₦'000	₦'000
Profit before income tax	326,021	857,850
Adjust. to recon. net profit/(loss) to net cash provided/(utilized):		
Loss/(profit) on sale of fixed assets	(633)	(1,425)
Fair value adjustment to Quoted stock	88,368	(121,148)
Reinstatement adjustment	-	(582,991)
Depreciation of property, plant & equipment	89,729	148,373
Amortisation of intangible asset	4,651	-
Interest income	(191,906)	(117,870)
Fair value gain on investment property	(83,739)	-
Fair value gain on managed fund	(11,950)	-
Dividend from Quoted investment	(8,593)	-
Share of loss in associate	1,053	-
Fair value adjustment of Bank Placement	(13,740)	-
Gratuity curtailment adjustment by Actuary	(64,732)	-
Net deferred tax asset/(liability)	-	15,743
Interest Expense	109,896	122,715
Changes in working capital		
Trade receivables	40,777	1,050,847
Creditors and accruals	(78,843)	(70,987)
Outstanding claims	(28,983)	(2,828)
Other debtors and prepayments	26,247	(89,536)
Retirement benefit obligation	-	64,801
Deferred acquisition cost	(20,524)	(6,828)
Reinsurance assets	640,446	(1,329,975)
Unearned premium	(370,128)	1,236,037
Cash generated from operations	453,418	1,172,777
Tax paid	(32,391)	(124,359)
Gratuity Benefit paid to employees	(45,288)	-
Net cash provided by operating activities	375,739	1,048,418

39a

Cash and Cash Equivalents	Dec. 2014	Dec. 2013
For purpose of cash flow statement	₦'000	₦'000
Cash and Cash Equivalents	826,359	967,124
Short term deposit and placements-Local	1,409,726	965,765
	2,236,085	1,932,889

40 Contingent liabilities and commitments

(a) Legal proceedings

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

(b) Capital commitment

The company has spent approx. ₦165 million on ongoing building project and has been included in the financial statements as at 31 December, 2014.

41 Related Party Transactions

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

	Dec. 2014 ₦'000	Dec. 2013 ₦'000
(a) Sales of insurance contracts and other services		
Sales of insurance contracts		
- Key management personnel	-	-
- Related entities	-	-
Sales of services		
- Key management personnel	-	-
- Related entities	-	-
(b) Purchases of Products and Services		
- Key management personnel	-	-
- Related entities	-	-
(c) Key management compensation		
Chairman and Directors Emoluments		
Fees:		
Chairman	800	800
Other Directors	4,200	4,200
	5,000	5,000
As executive	36,742	36,742
	41,742	41,742
The highest paid director	20,065	20,065

The number of Directors (including the Chairman) whose emoluments were within th e 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	35,507	39,732

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

42 Employees

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

	Number Dec, 2014	Number Dec, 2013
Executive directors	2	2
Management	20	21
Non-management	152	156
	174	179

The staff costs for the above persons were:	Dec. 2014	Dec. 2013
	₦'000	₦'000
Salaries and wages	**713,552**	760,523
Staff gratuity	**-**	14,260
Staff pension	**26,488**	19,389
	740,040	794,172

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

	Number Dec. 2014	Dec. 2013
N300,001 - N400,000	**5**	4
N400,001 - N500,000	**9**	10
N500,001 - N600,000	**6**	5
N600,001 - N700,000	**12**	11
N800,001 - N900,000	**14**	13
N900,001 - N1,000,000	**21**	23
N1,000,001 - N1,100,000	**16**	17
N1,100,001 - N1,200,000	**20**	21
N1,200,001 - N1,300,000	**11**	10
N1,300,001 - N1,400,000	**13**	13
N1,400,001 - N1,500,000	**14**	15
N1,500,001 - N2,000,000	**11**	10
N2,000,001 - N3,000,000	**7**	8
N3,000,001 and above	**15**	19
	174	179

43 Events after statement of financial position date

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

Premium as Per Class of Business

44 Segment results 31 December 2014	**Motor Business ₦'000**	**Fire and Property ₦'000**	**Marine and Aviation ₦'000**	**General Accident ₦'000**	**C.A.R and Engineering ₦'000**	**Energy Business ₦'000**	**Total ₦'000**
Direct Premium	1,526,186	920,210	580,817	1,196,932	258,010	2,723,290	7,205,445
Inward premium	28,395	16,395	15,709	9,370	9,494	1,703	81,066
Gross Premium written	**1,554,581**	**936,605**	**596,526**	**1,206,302**	**267,503**	**2,724,993**	**7,286,511**
(Increase)/decrease in Unexpired Risk	(124,534)	(158,107)	(52,766)	(160,847)	(70,291)	936,673	370,128
Gross premium earned	**1,430,047**	**778,499**	**543,760**	**1,045,455**	**197,212**	**3,661,666**	**7,656,639**
Reinsurance Cost	(32,037)	(162,290)	(155,588)	(178,147)	(44,649)	(2,477,887)	(3,050,598)
Net premium earned	**1,398,010**	**616,208**	**388,172**	**867,308**	**152,563**	**1,183,780**	**4,606,041**
Commission received	485	49,542	37,935	56,362	13,640	323,114	481,079
Total income	**1,398,496**	**665,751**	**426,107**	**923,670**	**166,203**	**1,506,894**	**5,087,120**
Direct claims paid	629,368	397,933	190,793	319,403	31,126	879,392	2,448,014
Incr./(Decr.) in Outstanding Claims	3,559	182,426	(112,149)	65,571	8,834	(177,224)	(28,983)
Gross Claims Incurred	613,286	497,763	197,700	409,554	41,285	659,445	2,419,031
Reinsurance recovery	(2,866)	(95,791)	(56,423)	(68,204)	(10,429)	(4,134)	(237,847)
Net Claims Incurred	610,420	401,971	141,277	341,350	30,856	655,310	2,181,184
Acquisition costs	226,717	226,470	145,812	293,751	63,798	52,754	1,009,302
Maintenance costs	27,444	36,323	16,906	785	6,400	101,712	189,570
Total expenses	**864,581**	**664,765**	**303,995**	**635,886**	**101,055**	**809,775**	**3,380,056**
Underwriting profit	**533,915**	**986**	**122,112**	**287,784**	**65,148**	**697,118**	**1,707,064**

Premium as Per Class of Business

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	53,828	83,051	131,355	(2,066)	(42,391)	(226,605)	(2,828)
Gross Claims Incurred	507,772	304,109	367,159	263,467	(7,896)	490,182	1,924,794
Reinsurance recovery	(31,137)	(126,790)	(142,994)	(187,960)	(19,868)	(247,085)	(755,833)
Net Claims Incurred	476,636	177,319	224,166	75,507	(27,764)	243,097	1,168,961
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	748,506	391,119	379,039	353,269	49,088	529,472	2,450,494
Underwriting profit	**478,278**	**215,600**	**109,525**	**481,796**	**110,958**	**1,072,003**	**2,468,159**

45. 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 2014 are summarized in the table below;

Incremental Chain Ladder - Yearly Projections (N)								
Accident Year	1	2	3	4	5	6	7	8
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	396,255		-
2010	359,967,073	442,922,023	146,487,462	284,300,952	1,761,286	-		-
2011	465,179,327	400,397,983	144,759,346	2,031,415		-		
2012	405,403,050	720,365,344	8,257,828.00	-		-		
2013	542,576,248	137,212,594				-		-
2014	1,607,856,543	-	-	-		-		

Premium Data

The premium data received have been compared with the revenue account as at 31st December, 2014.

This certifies the accuracy of the data used in computing unearned risk premium. The table below presents the distribution of premium by class of business.

Financial Accounts compared with Gross Premium Data

Class of Business	Gross Premium - Data	Gross Premium - Data
Accident	1,196,932,235	1,206,302,116
Engineering	258,009,655	267,503,458
Fire	920,210,205	936,605,268
Marine	580,817,369	596,526,373
Motor	1,562,769,069	1,591,091,761
Oil and Gas	2,732,289,708	2,724,992,834
Total	7,251,028,240	7,323,021,810

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, N161.22 million was paid in 2007 (development year 1), N116.72 million in 2008 (development year 2) etc.

Incremental Chain Ladder

	Incremental Chain Ladder - Yearly Projections (N)						
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	413,594	-	
2011	292,165,155	126,132,960	8,334,531	669,574		-	
2012	209,065,512	153,519,616	1,134,984	-		-	
2013	253,324,617	56,039,244					
2014	448,184,653	-	-	-		-	

This table illustrates that **N161.22 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 **N227.94 million**, this increased to **N282.42 million** in 2009 etc.

Cumulative Data

	Cumulative Chain Ladder (N)						
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	298,512,154
2009	181,552,201	328,288,621	344,146,998	344,947,961	345,651,857	345,651,857	-
2010	225,016,084	347,888,333	358,031,041	358,724,021	359,447,836	-	-
2011	292,165,155	418,298,114	426,632,645	427,302,219		-	-
2012	209,065,512	362,585,128	363,720,112	-		-	-
2013	253,324,617	309,363,860					
2014	448,184,653	-	-	-		-	-
Loss dev factors	**-**	**1.556**	**1.026**	**1.003**	**1.002**	**1.001**	**1.000**

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

Projected Table

	Cumulative Development Pattern- Annual Projections (N)						
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	297,712,154
2009	181,552,201	328,288,621	344,146,998	344,947,961	345,651,857	345,651,857	345,651,857
2010	225,016,084	347,888,333	358,031,041	358,724,021	359,137,615	359,447,836	359,447,836
2011	292,165,155	418,298,114	426,632,645	427,302,219	427,984,524	428,354,215	428,354,215
2012	209,065,512	362,585,128	363,720,112	364,972,081	365,554,859	365,870,623	365,870,623
2013	253,324,617	309,363,860	317,532,129	318,625,114	319,133,886	319,409,552	319,409,552
2014	448,184,653	562,921,095	577,784,146	579,772,950	580,698,716	581,200,321	581,200,321

Claim Development Table

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

	Non-Cummulative Development Pattern- Annual Projections (N)						
Accident Year	**1**	**2**	**3**	**4**		**6**	**7**
2007	-	-	-	-		-	-
2008	-	-	-	-		-	-
2009	-	-	-	-		310,221	-
2010	-	-	-	-	682,305	369,691	-
2011	-	-	-	1,251,969	582,778	315,764	-
2012	-	-	8,168,269	1,092,985	508,772	275,666	-
2013	-	114,736,442	14,863,051	1,988,804	925,766	501,605	-

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

Year	Incremental Amounts
2015	125,149,206
2016	16,908,504
2017	2,813,341
2018	1,201,432
2019	501,605
Total	**146,574,088**

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	187,571,027	(94,673,335)	92,897,692
Engineering	30,120,766	(18,914,415)	11,206,351
Fire	360,515,151	(310,348,322)	50,166,829
Marine	52,041,290	(39,600,538)	12,440,752
Motor	146,574,088	(11,974,557)	134,599,531
Oil & Energy	**246,077,589**	**(63,764,984)**	**182,312,605**
Total	**1,022,899,911**	**(539,276,150)**	**483,623,760**
Accounts (Outstanding Claims)	1,100,057,737	(504,307,737)	595,750,000
Difference	**(77,157,826)**	**(34,968,413)**	**(112,126,240)**

* Oil and Gas was estimated using Expected loss ratio method

Discounted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims(N)
Accident	168,374,082	(85,459,605)	82,914,477
Engineering	27,108,948	(17,064,586)	10,044,362
Fire	324,299,853	(273,596,905)	50,702,948
Marine	43,376,003	(35,797,079)	7,578,924
Motor	133,783,465	(11,974,557)	121,808,908
Oil & Energy	246,077,589	(63,764,984)	182,312,605
Total	**943,019,940**	**(487,657,715)**	**455,362,225**
Accounts (Outstanding Claims)	**1,100,057,737**	**(504,307,737)**	**595,750,000**
Difference	**(157,037,797)**	**16,650,022**	**(140,387,775)**

* Oil and Gas was estimated using Expected loss ratio method

Claim Development Table

Inflation Adjusted Chain Ladder Method

Class of Business	Gross Outstanding Claims (₦)	Estimated Reinsurance Recoveries	Net Outstanding Claims
Accident	230,994,845	(110,649,556)	120,345,289
Engineering	33,137,646	(23,026,760)	10,110,886
Fire	391,359,726	(365,340,287)	26,019,439
Marine	76,614,263	(43,394,372)	33,219,891
Motor	205,207,852	(11,974,557)	193,233,295
Oil & Energy	246,077,589	(63,764,984)	182,312,605
Total	**1,183,391,920**	**(618,150,515)**	**565,241,405**
Accounts (Outstanding Claims)	1,100,057,737	(504,307,737)	595,750,000
Difference	**83,334,183**	**(113,842,778)**	**(30,508,595)**

* 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	206,692,676	(99,511,797)	107,180,879
Engineering	29,658,817	(20,680,451)	8,978,366
Fire	349,332,839	(320,444,503)	28,888,336
Marine	64,752,275	(39,089,722)	25,662,553
Motor	187,458,671	(11,974,557)	175,484,114
Oil & Energy	246,077,589	(63,764,984)	182,312,605
Total	**1,083,972,867**	**(555,466,014)**	**528,506,853**
Accounts (Outstanding Claims)	1,100,057,737	(504,307,737)	595,750,000
Difference	**(16,084,870)**	**(51,158,277)**	**(67,243,147)**

* 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 UPR (₦)	Reinsurance UPR (₦)	Net UPR (₦)
Accident	148,410,901	(36,857,580)	111,553,321
Engineering	35,802,265	(16,908,529)	18,893,736
Fire	126,362,846	(47,067,128)	79,295,718
Marine	85,008,156	(52,023,359)	32,984,797
Motor	282,909,728	(5,566,227)	277,343,501
Oil & Energy	1,311,256,418	(1,297,950,871)	13,305,547
Total	**1,989,750,314**	**(36,857,580)**	**533,376,620**

Claim Development Table

Cumulative Claims Development Pattern- Motor

Incremental Chain Ladder - Yearly Projections(₦'000)						
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**
2007	161,220	116,717	4,485	311	49	-
2008	169,900	107,836	13,187	3,384	3,405	800
2009	181,552	146,736	15,858	801	704	-
2010	225,016	122,872	10,143	693	414	-
2011	292,165	126,133	8,335	670	-	-
2012	209,066	153,520	1,135	-	-	-
2013	253,325	56,039	-	-	-	-
2014	448,185	-	-	-	-	-

Cummulative Chain Ladder- Yearly Projections (₦'000)							
Accident Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2007	161,220	277,936	282,422	282,733	282,782	282,782	282,782
2008	169,900	277,736	290,923	294,307	297,712	297,712	297,712
2009	181,552	328,289	344,147	344,948	345,652	345,652	345,652
2010	225,016	347,888	358,031	358,724	359,138	359,448	359,448
2011	292,165	418,298	426,633	427,302	427,985	428,354	428,354
2012	209,066	362,585	363,720	364,972	365,555	365,871	365,871
2013	253,325	309,364	317,532	318,625	319,134	319,410	319,410
2014	448,185	562,921	577,784	579,773	580,699	581,200	581,200

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

Summary of Results				
Accident Year	**Latest Paid (₦'000)**	**Developed to Date**	**Ultimate Claims (₦'000)**	**Gross Outstanding Claim (₦'000)**
2007	282,782	1.000	282,782	-
2008	298,512	1.000	298,512	-
2009	345,652	1.000	345,652	-
2010	359,138	0.999	359,448	310
2011	427,302	0.998	428,354	1,052
2012	363,720	0.994	365,871	2,151
2013	309,364	0.969	319,410	10,046
2014	448,185	0.737	581,200	133,016
Total	**2,834,655**	**0.94**	**3,008,261**	**146,574**

Claim Development Table

Cumulative Claims Development Pattern- Marine

Incremental Chain Ladder - Yearly Projections(₦'000)						
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**
2007	12,088	28,812	7,852	60	30,370	6
2008	648	7,468	97	-	-	-
2009	2,312	22,297	338	6,912	-	200
2010	14,527	19,225	9,547	6,423	25	-
2011	35,171	25,574	30,244	190	-	-
2012	30,164	116,629	-	-	-	-
2013	32,653	7,113	-	-	-	-
2014	142,076	-	-	-	-	-

	Incremental Chain Ladder- Yearly Projections (₦'000)						
Accident Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2007	12,088	40,900	48,752	48,811	79	79,188	79,188
2008	648	8,116	8,213	8,213	8	8,213	8,213
2009	2,312	24,610	24,948	31,860	32	32,059	32,059
2010	14,527	33,753	43,300	49,723	49,748	49,750	49,750
2011	35,171	60,745	90,989	91,179	91,194	91,198	91,198
2012	30,164	146,793	146,793	156,016	156,043	156,049	156,049
2013	32,653	40	45,837	48,718	48,726	48,728	48,728
2014	142,076	143,533	165,446	175,841	175,871	175,878	175,878

Summary of Results				
Accident Years	**Latest Paid (₦'000)**	**Developed to Date**	**Ultimate Claims (₦'000)**	**Gross Outstanding Claim (₦'000)**
2007	79,188	1.000	79,188	-
2008	8,213	1.000	8,213	-
2009	32,059	1.000	32,059	-
2010	49,748	1.000	49,750	1
2011	91,179	1.000	91,198	18
2012	146,793	0.941	156,049	9,256
2013	39,766	0.816	48,728	8,962
2014	142,076	0.808	175,878	33,802
Total	**589,022**	**0.919**	**641,064**	**52,040**

Claim Development Table

Cumulative Claims Development Pattern- General Accident

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

	Incremental Chain Ladder- Yearly Projections (₦'000)						
Accident Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2007	78,870	129,917	151,907	157,056	158,165	158,547	159,889
2008	107,762	170,377	190,932	195,223	195,658	195,658	195,658
2009	71,177	145,451	187,795	189,856	192,423	192,619	192,619
2010	56,380	131,549	143,825	157,292	158,097	158,264	158,264
2011	64,532	148,135	164,690	165,378	166,540	166,717	166,717
2012	134,451	268,069	271,193	279,484	281,449	281,747	281,747
2013	62,941	86,806	183,978	189,602	190,935	191,137	191,137
2014	193,012	227,535	254,295	262,069	263,911	264,191	264,191

	Summary of Results			
Years	**Latest Paid**	**Dev to Date**	**Ultimate**	**Gross Outstanding Claim(N'000)**
2007	159,889	1.000	159,889	-
2008	195,658	1.000	195,658	-
2009	192,619	1.000	192,619	-
2010	158,097	0.999	158,264	167
2011	165,378	0.992	166,717	1,339
2012	271,193	0.963	281,747	10,554
2013	86,806	0.454	191,137	104,332
2014	193,012	0.838	264,191	71,179
Total	**1,422,651**	**0.903**	**1,610,222**	**187,571**

Claim Development Table

Cumulative Claims Development Pattern: Fire

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

	Incremental Chain Ladder- Yearly Projections (₦'000)						
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2007	23,548	38,469	39,019	39,514	39,923	39,941	39,941
2008	145,426	170,830	190,167	191,584	191,860	194,210	194,210
2009	38,671	68,699	75,794	92,924	94,057	94,057	94,057
2010	48,683	218,708	233,350	233,519	233,923	235,623	235,623
2011	40,147	128,001	142,688	142,984	143,554	144,597	144,597
2012	34,801	106,650	109,959	113,108	113,559	114,384	114,384
2013	96,493	124,882	135,062	138,931	139,484	140,498	140,498
2014	269,309	539,059	583,003	602,092	602,092	606,468	606,468

	Summary of Results			
Accident Year	**Latest Paid**	**Dev to Date**	**Ultimate Claims**	**Gross Outstanding Claim N**
2007	39,941	1.00	39,941	-
2008	194,210	1.00	194,210	-
2009	94,057	1.00	94,057	-
2010	233,923	0.99	235,623	1,699
2011	142,984	0.99	144,597	1,613
2012	109,959	0.96	114,384	4,426
2013	124,882	0.89	140,498	15,615
2014	269,309	0.44	606,468	337,160
Total	**1,209,264**	**0.77**	**1,569,777**	**360,513**

Claim Development Table

Cumulative Claims Development Pattern: Engineering

Accident Year	Incremental Chain Ladder - Yearly Projections(₦'000)					
	1	2	3	4	5	6
2007	12,088	28,812	7,852	205	-	-
2008	648	7,468	-	-	-	-
2009	2,312	6,349	424	516	531	-
2010	14,206	26,429	1,836	1,194	113	-
2011	33,165	33,090	19,933	48	-	-
2012	41,347	20,691	343	-	-	-
2013	3,266	6,191	-	-	-	-
2014	14,750	-	-	-	-	-

Accident Year	Incremental Chain Ladder- Yearly Projections (₦'000)						
	1	2	3	4	5	6	7
2007	12,088	40,900	48,752	48,957	48,957	48,957	48,957
2008	648	8,116	8,116	8,116	8,116	8,116	8,116
2009	2,312	8,661	9,085	9,601	10,132	10,132	10,132
2010	14,206	40,635	42,472	43,666	43,779	43,779	43,779
2011	33,165	66,255	86,187	86,235	87,484	87,484	87,484
2012	41,347	62,038	62,381	63,500	64,419	64,419	64,419
2013	3,266	9,457	10,725	10,918	11,076	11,076	11,076
2014	14,750	34,125	38,701	39,395	39,965	39,965	39,965

	Summary of Results			
Year	Latest Paid (₦)	Dev to Date	Ultimate	Gross Outstanding Claim (₦'000)
2007	48,957	1.000	48,957	(0)
2008	8,116	1.000	8,116	-
2009	10,132	1.000	10,132	(0)
2010	43,779	1.000	43,779	(0)
2011	86,235	0.986	87,484	1,249
2012	62,381	0.968	64,419	2,038
2013	9,457	0.854	11,076	1,619
2014	14,750	0.000	39,965	25,215
Total	**283,808**	**0.904**	**313,928**	**30,121**

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-to-day 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

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

Insurance Risk

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

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

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

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

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

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

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

Underwriting Risk Appetite

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

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

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

occurring from one event e.g. natural catastrophe risks, and risks dependent on the macroeconomic environment);

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

UNDERWRITING STRATEGY

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

PRODUCTS AND SERVICES

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

FIRE/EXTRANEOUS PERILS POLICY

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

a) Buildings

b) Office Furniture, Electrical & Electronic Equipment

c) Plant and Machinery

d) Stock of Raw Materials and finished goods

e) Loss of Annual Rent for alternative accommodation.

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

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

CONSEQUENTIAL LOSS POLICY

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

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

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

BURGLARY/HOUSEBREAKING POLICY

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

FIDELITY GUARANTEE POLICY

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

PUBLIC LIABILITY POLICY

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

MONEY POLICY

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

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

policy can also be extended to cover cash in the personal custody of selected management staff.

GOODS IN TRANSIT POLICY

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

GROUP PERSONAL ACCIDENT POLICY

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

MOTOR INSURANCE POLICY

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

MARINE POLICIES

CARGO: The policy issued here is to provide indemnity for loss or damage to imported goods being conveyed by sea or air. The All Risks type of cover known as Clauses "A" provides indemnity to the insured in the event of total or partial loss of the goods while the restricted cover known as Clauses "C" would provide indemnity in the event of total loss only. To enable us determine the premium payable in this regard, we would require information on the nature and value of goods being imported as well as the type of cover required.

HULL: This type of policy is issued on vessels and yachts to provide indemnity for any loss, damage or liability that may arise from their use. The scope of cover provided is either an "all risks" or "total loss only" while the policy usually carries a deductible of about 10% of the value of the vessel or yacht.

AVIATION POLICY

This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a

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

certain limit selected. In order to ensure full protection for our clients, we reinsure as much as 70% of this type of risk in the London Aviation Market through one of our overseas associates. The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

MACHINERY BREAKDOWN POLICY

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

ELECTRONIC EQUIPMENT POLICY

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

ENERGY RISKS

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

Our focus is on the following areas:

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

- Power, Solid Mineral and Other special products.

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

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 pru dence and cauti on 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-lo ss inspection/su rvey exercise of risks, prefe rably 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 th ro ug h coinsurance or facultative basis.
We ensure application/introduction/review of pol icy 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 co uld not be arran ged 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.

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

Approaches to Risk Mitigation

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

a) Risk Termination (Avoidance)

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

b) Risk Treatment (Reduction)

Under the risk treatment approach, we would accept the risks inherent in our transactions, but 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 December 31, 2014 and 2013 for Gross Premiums written is set out below:

(a) By product	31 Dec.2014	31 Dec.2013
	₦'000	₦'000
Motor business	1,554,581	1,358,907
Fire & Property	936,605	823,932
Marine & Aviation	596,526	712,172
General Accident	1,206,302	1,095,839
C.A.R & Engineering	267,503	262,604
Energy business	2,724,993	4,420,222
	7,286,511	8,673,676

(b) By sector	31 Dec.2014	31 Dec.2013
	₦'000	₦'000
Energy	4,590,977	5,437,734
Financial Services	468,460	554,863
IT/Telecoms & Other Corp.	894,481	1,059,460
Manufacturing	507,670	601,304
Public Sector	426,441	505,093
Retail	398,482	515,222
	7,286,511	8,673,676

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

Financial Risk Management

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

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

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

In terms of uncertainty, we see risk as the distribution of all possible outcomes bo th positive and 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 2014	**Carrying amount**	**No stated maturity**	**0-90 days**	**91-180 days**	**180-365 days**	**1 - 2 years**	**> 2 years**
Financial Assets	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash & cash equivalents	2,236,085		2,236,085				
Loans and Receivables:							
- Trade receivables	57,551	-	57,551		-	-	-
- Loan & receivables	187,164	-	-	-	187,164	-	-
Debt securities	40,000	-	-	-	-	-	40,000
Equity securities							
- quoted	320,550	320,550	-	-	-	-	-
- unquoted	123,418	123,418	-	-	-	-	-
	2,964,768	**443,968**	**2,293,636**	**-**	**187,164**	**-**	**40,000**
Insurance Liabilities							
Outstanding Claims Reserve	1,083,973	-	1,083,973				
Less assets arising from reinsurance	-	-	-	-			
	1,083,973	**-**	**1,083,973**	**-**			

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	1,932,889		1,932,889				
Loans and receivables:							
- Trade receivables	98,328	-	98,328	-	-	-	
- Loan & receivables	182,998	-	-	-	182,998	-	-
Debt securities	30,000	-	-	-	-	-	30,000
Equity securities							
- quoted	420,560	420,560	-	-	-	-	-
- unquoted	103,520	103,520	-	-	-	-	-
	2,768,295	**524,080**	**2,031,217**	**-**	**182,998**		**30,000**
Insurance liabilities							
Outstanding Claims Reserve	1,112,955	-	1,112,955				
Less assets arising from reinsurance	-	-	-	-			
	1,112,956	**-**	**1,112,956**	**-**			

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

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	269,808	-	-	-	269,808	-	-
Debt securities	97,731		60,048	-	11,386	1,462	17,310
Equity Securities							
- quoted	338,768	338,768	-	-	-	-	-
- unquoted	87,662	87,662	-	-	-	-	-
	3,109,939	**426,430**	**1,226,843**	**1,149,175**	**281,194**	**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**	**-**	**-**	**-**	**-**

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 2014 (₦'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalents	2,236,085	1,605,550	-	630,533
Trade receivables	57,551	-	-	57,551
Loans and receivables	187,164	-	-	187,164
Reinsurance assets	2,011,841	-	-	2,011,841
Debt securities	40,000	40,000	-	
	4,532,641	**1,645,550**	**-**	**2,887,089**
Liabilities				
Non-life insurance liability	3,073,723	-	-	3,073,723
Trade creditors & other liabilities	181,127	-	-	181,127
Debt security in issue	806,590	806,590	-	
	4,061,441	**806,590**	**-**	**3,254,851**

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

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	182,998	-	-	182,998
Reinsurance assets	2,652,288	-	-	2,652,288
Debt securities	30,000	30,000	-	-
	4,896,503	**995,765**	**-**	**3,900,738**
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**

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	269,808	269,808	-	-
Reinsurance assets	623,120	-	-	623,120
Debt securities	97,731	97,731	-	-
	3,306,629	**1,288,826**	**-**	**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**

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

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

(b) Sensitivity analysis - equity risk

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

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

As at 31 December 2014, the market value of quoted securities held by the Company is N 320 million (2013: N 420 million). If the all share index of the NSE moves by 100 basis points at 31 December 2014, the effect on profit or loss would have been N 3.2 million (2012: N 4.2 million).

The Company holds a number of investments in unquoted securities with a market value of N 123 million as at 31 December 2014 (2013: N 103 million) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at N 63 million (cost N 49 million) (2013: N 76 million, cost N 49 million) as at 31 December 2014. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

(c) Sensitivity analysis - currency risk
31 December 2014 (N'000)

Assets	Naira	USD	Yen	Euro	Total
Cash and cash equivalent	1,563,690	672,395		8,661	2,236,083
Insurance receivables	57,551				57,551
Loan and Receivables	187,164				187,164
Reinsurance assets	2,011,841				2,011,841
Investment securities	63,315				63,315
	3,883,561	**672,395**		**8,661**	**4,564,615**
Liabilities					
Non-life insurance liability	3,073,723	-	-		3,073,723
Trade creditors & other liabilities	181,127	-	-		181,127
Debt security in issue	806,590	-	806,590		
	4,061,440	**-**	**806,590**		**3,254,850**

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

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	182,998				182,998
Reinsurance assets	2,652,287				2,652,287
Investment securities	76,917				76,917
	4,178,839	**758,325**		**6,255**	**4,943,419**

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
	3,729,728	**-**	**1,066,897**	**4,796,625**

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	269,808	-	-	269,808
Reinsurance assets	623,120	-	-	623,120
Investment securities	446,804	72,758	-	519,563
	3,357,502	**370,958**	**-**	**3,728,260**

Liabilities				
Non-life insurance liability	3,073,723	-	-	3,073,723
Trade creditors & other liabilities	181,127	-	-	181,127
Debt security in issue	-	-	806,590	806,590
	3,254,850	**-**	**806,590**	**4,061,440**

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 Japanese Yen

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

	2014	2013
Effect of 10% movement on profit b/4 tax and fin. position size (₦'000)	**80,659**	**106,690**

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 isk 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 2014 ₦'000	31-Dec 2013 ₦'000
Cash and bank balances	**2,236,085**	1,923,889
- Trade receivables	**57,551**	98,328
- Loans & receivables	**187,164**	182,998
Reinsurance assets	**2,011,841**	2,652,288
Debt securities	**40,000**	30,000
Total assets bearing credit risk	**4,532,641**	4,887,503

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

Concentration of credit risk

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

(a) Geographical sectors

At 31 December 2014 (₦'000)

	Insurance receivables	Total
Lagos	**41,410**	**41,410**
West	**1.763**	**1.763**
North	**9,777**	**9,777**
East	**4,601**	**4,601**
	57,551	**57,551**

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
	98,323	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

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

Credit quality 31 December 2014 (₦'000)	AAA	AA	A	BBB	Below BBB	Not rated	Total
Debt securities			40,000				40,000
Reinsurance assets						2,011,841	2,011,841
Loans &receivables						48,284	48,284
Cash & cash equivalent						2,236,085	2,236,085
	-	**-**	**40,000**	**-**	**-**	**4,296,210**	**4,336,210**

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

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

	Category A	Category B	Category C	Not categ	Total
Trade receivables	132,684	-	-	-	132,684

Credit quality 31 December 2012 (₦'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**

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

Liquidity Risk

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

Sources of Liquidity Risk

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

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

Liquidity Risk Management Strategy

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

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

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

Liquidity Risk Appetite/Tolerance

Our liquidity risk appetite is defined using the following parameters:

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

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

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

Payments due by period as of 31 December 2014

	Carrying amount	0-1 years	1-3 years	3-5 years	> 5 years	Total
Debt security in issue	**806,590**				**806,590**	806,590
Other liabilities	**181,127**	**181,127**				181,127
	987,718	**181,127**	**-**	**-**	**806,590**	**987,718**

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
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				1,007,771	1,007,774
Other liabilities	292,701	292,701	-	-	-	292,701
	1,300,475	292,701	-	-	1,007,771	1,300,475

32.3 Fair value of financial assets and liabilities

(a) Financial Instrument not measured at fair value

	At 31 December 2014		At 31 December 2013	
	Carrying Value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and bank balances	**2,236,085**	**2,236,085**	1,932,889	1,932,889
Investment securities:				
Debt securities	**40,000**	**40,000**	30,000	30,000
Trade receivables	**57,551**	**57,551**	98,328	98,328
Other loans and receivables	**187,164**	187,164	182,998	182,998
	2,520,800	**2,520,800**	2,244,215	2,244,215
Financial liabilities				
Convertible bond	**806,590**	**806,590**	1,066,897	1,066,897
Other liabilities	**181,127**	**181,127**	256,896	256,896
	987,717	**987,717**	1,323,793	1,323,793

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

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

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

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

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

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

At 31 December 2014 (₦'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	320,550	-	-	320,550
Unquoted equity investments	-	123,418	-	123,418
Debt securities	40,000	-	-	40,000
	360,550	**123,418**	**-**	**483,968**
At 31 December 2013 (₦'000)				
Financial assets				
Quoted equity investments	420,560	-	-	420,560
Unquoted equity investments	-	103,520	-	103,520
Debt securities	30,000			30,000
	450,560	103,520	-	554,080
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

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

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

Sensitivity analysis of Level 3 items

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

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

(c) Fair Valuation Methods and Assumptions

(i) Cash and Bank Balances

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

(ii) Equity Securities

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

(iii) Debt Securities

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

(iv) Other Assets

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

48. Capital Management Policies

Capital Management

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

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

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

Solvency Margin

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

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

The Company is solvent by of N777,620,000 as shown in the solvency margin computation.
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, 2014.

In order to continually meet the company's obligation to policy holders, the company is offering a 1 for 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.

		2014
ADMISSIBLE ASSETS		₦'000
Cash and cash equivalents		2,236,085
Available for sale		319,242
Fair Value Through Profit or Loss		320,550
Held to Maturity		40,000
Loan and Receivables		152,715
Reinsurance Assets		2,011,841
Trade Receivable		57,551
Deferred Acquisition Cost		568,819
Staff debtors		9,858
Investment in Associate		49,202
Investment Property		1,245,652
Property, Plant & Equipment		783,098
Statutory Deposits		315,000
	A	8,109,611
ADMISSIBLE LIABILITIES		
Insurance Liabilities		3,073,723
Debt Securities		806,590
Trade payables		140,147
Other Payables & Accruals		37,905
Retirement Benefit Obligations		240,689
Taxation		32,937
	B	4,331,991
Actual Solvency (A - B)	C	3,777,620
Net Premium		4,606,041
Solvency Margin		
Limit of Net premium i.e. 15% of Net Premium		690,906
Minimum of paid up Capital -	D	3,000,000
Since C>D - Solvency Margin - (C-D)		777,620
Percentage of Solvency		26

Statement of Value Added

	2014		2013	
	₦'000	%	₦'000	%
Gross Premium Written:				
Local	7,286,511		8,673,676	
Foreign	-		-	
Other Income:				
Local	112,981		63,594	
Foreign	-		-	
	7,399,492		8,737,270	
Bought in Material and Services:				
Local	(6,257,970)		(6,966,590)	
Foreign				
Value Added	1,141,522	100	1,770,680	100
Applied as follows:				
Employees				
Salaries and other employees benefits	740,040	64.83	794,172	44.85
Provider of Capital				
Non Minority Interest	-	-	-	-
Government				
Taxation	31,078	2.72	(72,071)	(4.07)
Retention and Expansion				
Depreciation	89,729	7.86	148,373	8.38
Contingency reserves	218,595	19.15	260,210	14.70
Retained profits for the year	62,081	5.44	639,955	36.14
Value Added	1,141,522	100.00	1,770,680	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.

Assets	31 Dec. 2014 ₦'000	31 Dec. 2013 ₦'000	31 Dec. 2012 ₦'000	31 Dec. 2011 ₦'000	31 Dec. 2010 ₦'000
Cash and Cash Equivalents	**2,236,085**	1,932,889	1,166,795	1,431,579	507,609
Trade Receivable	**57,551**	98,328	1,149,175	561,045	764,613
Reinsurance Assets	**2,011,841**	2,652,287	1,322,312	851,332	509,951
Deferred Acquisition Cost	**568,819**	548,295	541,467	266,962	287,203
Financial Assets	**866,956**	1,011,267	917,287	1,151,291	1,024,432
Investment Properties	**1,339,084**	1,222,022	1,053,030	860,311	864,774
Property and Equipment	**783,098**	548,586	552,747	583,310	517,123
Other Receivables and Prepayments	**158,710**	184,957	95,421	84,677	47,676
Statutory Deposit	**315,000**	315,000	315,000	315,000	315,000
Intangible assets	**25,775**	6,201	-	-	-
Investment in Associate	**49,202**	50,255	-	-	-
Deferred tax assets	**80,725**	79,207	-	-	-
Total Assets	**8,492,846**	8,649,295	7,113,234	6,105,507	4,838,381
Liabilities					
Trade Payables	**140,147**	177,238	250,559	171,892	140,883
Other Payables and Accruals	**37,905**	79,657	42,140	64,129	43,611
Book Overdraft		-	-	24,925	23,522
Current Tax Payable	**32,937**	32,732	127,506	83,475	54,885
Deferred Tax Liability		-	35,183	57,935	111,168
Retirement Benefit Obligations	**240,689**	336,442	271,641	229,651	1,989
Insurance Contract Liabilities	**3,073,723**	3,472,833	2,239,625	1,970,949	1,121,495
Debt Security in Issue	**806,590**	1,066,897	1,007,775	1,523,877	1,441,028
Total liabilities	**4,331,991**	5,165,799	3,974,430	4,126,833	2,938,581
Net Assets	**4,160,855**	3,483,497	3,138,805	1,978,675	1,899,800
Equity					
Issued Share Capital	**3,435,879**	3,435,879	3,435,879	3,435,879	2,601,879
Share Premium	**116,843**	116,843	116,843	145,763	191,943
Available-For-Sale Reserve	**13,416**	27,018	(460)	2,898	16,785
Contingency Reserve	**1,671,227**	1,452,632	1,192,422	960,138	767,908
Retained Earnings	**(1,486,794)**	(1,548,875)	(1,605,880)	(2,566,003)	(1,678,715)
Deposit for shares	**410,284**	-	-	-	-
Shareholders' Fund	**4,160,855**	3,483,496	3,138,804	1,978,675	1,899,800
Gross Premium Written	**7,286,511**	8,673,676	7,742,785	6,407,713	4,761,272
Gross premiums income	**7,656,639**	7,437,639	7,502,203	6,173,285	4,621,857
Net underwriting income	**5,087,120**	4,309,149	4,994,462	4,506,917	3,682,912
Other Revenue	**755,153**	1,084,362	848,324	471,391	228,318
Total Revenue	**5,842,273**	5,393,511	5,842,786	4,978,308	3,911,230
Claims expense	**(2,181,184)**	(1,168,961)	(920,434)	(1,553,950)	(1,064,211)
Impairment for Insurance Receivable	**-**	(290,471)	(84,266)	(1,113,295)	-
Other Expenses	**(2,852,936)**	(3,001,542)	(3,252,973)	(2,824,909)	(2,431,152)
Total Benefits, Claims and Other Expenses	**(5,034,121)**	(5,043,964)	(4,257,673)	(5,492,154)	(3,495,363)
Profit Before Tax	**326,021**	857,850	1,585,113	(513,847)	415,867
Income tax expense	**(31,078)**	72,071	(108,759)	(25,097)	(107,103)
Profit For the Year	**294,943**	929,920	1,585,113	(513,847)	308,764
Other Comprehensive Income for the year, net of tax	**(27,869)**	(2,237)	(12,435)	(13,887)	-
Total Comprehensive Income for the year, net of tax	**267,074**	927,683	1,463,920	(552,830)	-
Basic Earnings Per Share	**4.74**	12.48	23.07	(8.51)	5.93

Share Capital History

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

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

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MANDATE FOR DIVIDEND PAYMENT TO BANKS (e-Dividend)

MERISTEM REGISTRARS LIMITED

RC No:489092

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

To:

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

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

Bankname: ______________________________

Bank Address: ______________________________

____

Account Number: ______________________________

Shareholders' Full Name: ______________________________
(Surname First)

____

Shareholder's Address: ______________________________

____

E-mail: ______________________________

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

Single Shareholder's
Signature: ______________________________

Joint Shareholder's
Signature:
1) ______________________________

2) ______________________________

If company,
Authorized Signatory:
1) ______________________________

2) ______________________________

Company Seal:

Authorized Signature & Stamp
of Bankers: ______________________________

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

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

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Notes

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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. (Dr.) 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 11th day of September 2015 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, 2014, and the Reports of the Directors, the Auditors and the Audit Committee thereon.		
2. To re-elect Directors:		
i. Mr. Oluseun O. Ajayi		
ii. Prof. Steve Azaiki		
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, 2014 be and is hereby fixed at N5,000,000.00.		

SIGNED:________________THIS______DAY OF ____________, 2015

NOTES:

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

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

(20TH 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 11th day of September 2015, at 11a.m.

NAME OF SHAREHOLDER...

NAME OF PROXY...
.

*SIGNATURE ....

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

TEAR OFF

Notes