

STACO INSURANCE PLC

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017**

STACO INSURANCE PLC

TABLE OF CONTENTS

Page(s)

1.	Financial Highlights	5
2.	Directors' Report	6
3.	Responsibilities of Directors	10
4.	Management Comments and Analysis	11
5.	Report of the Audit and Compliance Committee	14
6.	Report of the Independent Auditors	15-18
7.	Summary of Significant Accounting Policies	19-44
8.	Statement of Financial Position	45
9.	Statement of Comprehensive Income	46
10.	Statement of Changes in Equity	47-48
11.	Statement of Cash Flows	49
12.	Notes to Financial Statements	50-110
13.	Statement of Value Added	111 -112
14.	Five Year Financial Summary	113 -114

**STACO INSURANCE PLC
CORPORATE INFORMATION**

Directors

Prince Samuel Turoti	-	Group Chairman
Mr. Abdul-Ganiy Alimson	-	Chairman, Audit Committee Member, Nomination and Governance Committee
Mr. Omotola Talabi	-	Chairman, Finance, Investment and Remuneration Committee Member, Audit Committee
Ms Helen Emore	-	Chairman, Nomination and Governance Committee Member, Finance, Investment and Remuneration Committee
Mr. Muhammad Sidi-Aliyu	-	Member, Finance, Investment and Remuneration Committee Member, Nomination and Governance Committee
Mr. Sakiru Oyefeso	-	Group Managing Director/CEO
Mr. Bayo Fakorede	-	Executive Director (Operations)
Mr. Tayo Ajibulu	-	Executive Director (Management Services)

Group Secretary

Jackson, Etti & Edu
3-5 Sinari Daranijo Street
Off Ajoye Adeogun Street
Victoria Island, Lagos

Legal Adviser

Idowu Sofola and Co.
4/5 Floor, Ereke House, Plot 15 CIPM road
Alausa Road, Ikeja

Registered Office/Head Office

209, Herbert Macaulay way
Ebute-Metta,
Sabo, Yaba
Lagos State.
Tel: (234) 01 – 7741181, 7740571, 4758852 – 3
Fax: 01- 3425466
E-mail: info@stacopl.com
Website: www.stacopl.com
Incorporation Certificate: RC 167274 of 10 October, 1994

Lagos Control Office

292F, Ajoye Adeogun Street,
Victoria Island, Lagos
Branch Manager: Mr. Shogo Mojeed
Tel No: 01-7410184
Mobile No: 08023187896

**STACO INSURANCE PLC
CORPORATE INFORMATION**

Apapa Branch

1, Ibikunle Akintayo Street, Off Randle Road
Apapa, Lagos.

Branch Manager: Mrs Olatunbosun Jumoke

Tel No: 01- 2806995

Mobile No: 08023033855

Ikeja Branch

Skymit Compound

32, Mobolaji Bank Anthony Way

Ikeja, Lagos.

Branch Manager: Mr Adebisi Adewale

Tel No: 01- 2806996

Mobile No: 08033206806

Ibadan Branch

49 Ring Road, by Ajeigbe B/Stop

Ibadan, Oyo State

Branch Manager: Mr. Oyekan Adesina

Mobile No: 08033448216

Abeokuta Branch

23, Quarry Road

Ibara Abeokuta, Ogun State

Branch Manager: Sola Osiberu

Mobile No: 08036710286

Ilorin Branch

170, Ibrahim Taiwo Road, Ilorin

Kwara State.

Branch Manager: Taiwo Ayanbadejo

Mobile No: 08037222882

Akure Branch

1st Floor, BOI House (left wing)

Opp. Olam Nig. Ltd Ado/Owo Road

Alagbaka, Akure, Ondo

Branch Manager: Mr. Ayedogbon Olanipekun

Mobile Nos: 08035746695

Abuja Branch

118 Aminu Kano Crescent, Wuse, Abuja

Regional Head: Mr. Joseph Adebayo

Mobile Nos: 08033454504

Kano Branch

36, Ibrahim Taiwo Road, Kano

Kano State.

Branch Manager: Mr. Wahab Adelekan

Mobile No: 09032678677

Kaduna Branch

4, Constitution Road, Kaduna

Branch Manager: Mr. Sunday Otusami

Mobile No: 08023005225

**STACO INSURANCE PLC
CORPORATE INFORMATION**

Port Harcourt Branch

31, King Perekule Street G.R.A Phase II,
Port Harcourt, Rivers state
Branch Head: Mr Idowu Osikoya
Mobile No: 08037323779

Uyo Branch

174 Ikot Ekpene Road
Uyo, Akwa Ibom State
Branch Manager: Mr. FRIDAY EMEM NKINE
Mobile No: 08060741263

Warri Branch

255 Effurun/Sapele Road,
Effurun, Delta State.
Branch Manager: Mr. Mene Otubu
Mobile No: 08033247681, 07029954959

Aba Branch

143, Azikwe Road, Aba, Abia State
Branch Manager: Mr Charles Iheagwaram
Mobile No: 07029322563

Enugu Branch

111, Chime Avenue, 2nd Floor New Haven
Zanda's Plaza, Enugu
Branch Manager: Mr. Henry Ugweje
Mobile No: 08113890096

Awka Branch

229 Zik Avenue, Awka,
Anambra State.
Branch Manager: Mr. Vincent Nnatu
Mobile No: 08027656464

Asaba Branch

28, Illah Road, Opp. Nelrose Hotels,
Asaba, Delta State.
Branch Manager: Mr. Mene Otubu
Mobile No: 08033247681

Bankers

First Bank of Nigeria Ltd
Wema Bank Plc
Eco Bank Plc
Access Bank Plc
United Bank for Africa Plc
Zenith Bank Plc

Auditors

Abayomi – Dosunmu & Co.
(Chartered Accountants)
38, Macarthy Street
Onikan, Lagos.
Tel: 234-1-8023125751, 08137144914
info@abaymidosunmu.com

**STACO INSURANCE PLC
CORPORATE INFORMATION**

Registrars

First Registrars Limited
Plot 2, Abebe Village Road Iganmu, Lagos
Tel: 012799133-4
E-mail: firstregistrarnigeria@yahoo.com
Contact person: Mr Yaya Lawal
Mobile No: 08023795612

Reinsurers

African Reinsurance Corporation
Continental Reinsurance Plc
WAICA Reinsurance Pool
Nigeria Reinsurance Corporation

Actuary

Ernst & Young
10th Floor, UBA House,
57, Marina, Lagos

Investors/Shareholders Relations:

Taiwo Ogunbajo (Mobile 08034711139)

Tayo Ajibulu (Mobile 08023154582)

STACO INSURANCE PLC

FINANCIAL HIGHLIGHTS

	2017 N'000	Group 2016 N'000	Growth %	2017 N'000	Company 2016 N'000	Growth %
Major statement of financial position						
Total assets	9,193,763	10,328,371	(10.99)	8,241,792	9,720,399	(15.21)
Shareholders' funds	<u>443,649</u>	<u>3,053,117</u>	<u>(85.47)</u>	<u>258,249</u>	<u>3,071,346</u>	<u>(91.59)</u>
Major statement of comprehensive income						
Gross premium	5,753,037	5,403,082	6.48	5,224,762	4,794,411	8.98
Net premium earned	4,499,633	3,598,024	25.06	3,874,917	3,111,769	24.52
Net underwriting income	4,753,416	3,791,638	25.37	4,118,044	3,505,383	17.48
Claims/underwriting expenses	(2,961,886)	(2,086,087)	41.98	(2,991,920)	(1,939,319)	54.28
Investment income	229,184	146,550	56.39	182,463	129,671	40.71
Other income	482,340	145,753	230.93	446,990	145,114	208.03
Loss before taxation	(2,496,837)	(2,411,315)	(4)	(2,923,253)	(2,474,229)	(18.15)
Loss after taxation	<u>(2,602,383)</u>	<u>(2,550,301)</u>	<u>(2)</u>	<u>(2,958,253)</u>	<u>(2,579,229)</u>	<u>(14.70)</u>
Information per 50k ordinary share						
Earnings per share (kobo)	(28)	(24)	(17)	(30)	(23)	(30.15)
Net assets (kobo)	0.98	1.11	(10.99)	1	1	(0.15)
Stock exchange quotation (kobo) at 31 December	50	50	-	50	50	-
Price earning ratio	<u>(0.56)</u>	<u>(0.48)</u>	<u>-</u>	<u>(0.60)</u>	<u>(0.46)</u>	<u>-</u>
Number of 50k shares issued	9,341,088	9,341,088	-	9,341,088	9,341,088	-
Number of employees	356	363	-	312	319	-
Number of branches	<u>17</u>	<u>17</u>	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>

STACO INSURANCE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are pleased to submit their report together with the audited financial statements of STACO Insurance Plc ("the Company") and its subsidiary ("the Group") for the year ended 31st December 2017.

Legal form and Principal activities

The Company, STACO INSURANCE PLC (formerly known as STANDARD TRUST ASSURANCE PLC) was incorporated on October 10, 1991 as a public limited liability company with incorporation No. RC 167274. The company acquired Alpha Insurance Plc and commenced non-life insurance business on 1st October, 1994 having been duly licensed by National Insurance Commission (NAICOM) with certificate of registration No. RIC-038.

The Company changed its name to STACO Insurance Plc by special resolution on the 30th of October, 2006 following the merger of Standard Trust Assurance Plc and Summit Insurance Company Limited as a result of the directive by NAICOM on the increase in share Capital of insurance companies in Nigeria. The company became listed on The Nigerian Stock Exchange on 25th June, 2007

Operating results

The following is a summary of the Group operating results for the year ended 31 December 2017:

	Group		Company	
	2017	2016	2017	2016
	N'000	N'000	N'000	N'000
Loss before taxation	(2,496,837)	(2,411,315)	(2,923,253)	(2,474,229)
Taxation	(105,546)	(138,986)	(35,000)	(105,000)
Transfer to retained earnings	(2,602,383)	(2,550,301)	(2,958,253)	(2,579,229)
Transfer to statutory contingency reserve	(166,046)	(153,136)	(156,743)	(143,832)
Non controlling interest	56,940	33,894	-	-
Total transfers	(2,711,489)	(2,669,543)	(3,114,996)	(2,723,061)

STACO INSURANCE PLC

**DIRECTORS' REPORT (CON'TD)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors and their interests

The Directors' interests in the issued share capital of the Company as recorded in the register of members and as advised by the Company's registrars for the purposes of section 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange in units are as follows:

31 December 2017

Name of Director	Direct	Indirect	Total
Prince Samuel Turoti	-	260,000,000	260,000,000
Dr. Sakiru Oyefeso	470,464,329	-	470,464,329
Mr. Bayo Fakorede	1,570,000	-	1,570,000
Mr. Omotola Talabi	-	1,000,000,000	1,000,000,000
Mr. Abdul-Ganiyu Alimson	-	1,400,000,000	1,400,000,000
Mr. Muhammad Sidi-Aliyu	-	764,444,445	764,444,445
Ms Helen Emore	-	-	-

31 December 2016

Name of Director	Direct	Indirect	Total
Prince Samuel Turoti	-	260,000,000	260,000,000
Dr. Sakiru Oyefeso	470,464,329	-	470,464,329
Mr Bayo Fakorede	1,570,000	-	1,570,000
Mr. Omotola Talabi	-	1,000,000,000	1,000,000,000
Mr. Abdul-Ganiyu Alimson	-	1,400,000,000	1,400,000,000
Mr. Muhammad Sidi-Aliyu	-	764,444,445	764,444,445
Ms Helen Emore	-	-	-

STACO INSURANCE PLC

**DIRECTORS' REPORT (CON'TD)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors' interest in contracts

In accordance with section 277 of the Companies and Allied Matters Act, none of the Directors has notified the Company of any declarable interests in contracts or proposed contracts with the Company.

Retiring Directors

In accordance with Section 259 of Companies and Allied Matters Act CAP C20 LFN 2004, Ms Helen Emore and Mr Tola Talabi will retire by rotation and being eligible, they offer themselves for re-election.

Major Shareholding

The called-up and fully paid-up shares of the Company were beneficially held as follows at 31 December 2017:

	2017	%	2016	%
	Number of shares	Holding	Number of shares	Holding
Imperial Asset Managers Ltd	-	0.0	1,400,000,000	14.99
Electron Energy	1,000,000,000	10.71	1,000,000,000	10.71
Ventry Development Ltd	800,000,000	8.56	800,000,000	8.56
Seaforce Investment Ltd	764,444,445	8.18	764,444,445	8.18
Hat Koobs Industry Limited	700,000,000	7.49	-	0.00
Dr. Sakiru Oyefeso	496,144,841	5.3	470,464,329	5.04
Nigerian Citizens and Associations	5,580,498,323	59.7	4,906,178,835	52.52
Total	9,341,087,609	100	9,341,087,609	100

Imperial Asset Managers Limited divested its interest of 1.4 billion shares in the company with 700 million, 26 million and 674 million taken over by Hat Koobs Industry Limited, Dr. Sakiru Oyefeso and Nigerian Citizens and Associations respectively.

Analysis of shareholding

According to the register of members, no shareholder other than the ones mentioned above held more than 5% of the issued share capital of the Company as at 31 December 2017.

Donations and Charitable gifts

The Company identifies with the aspirations of the community as well as the environment within which it operates and has therefore made charitable donations to the underlisted organisations amounting to N3,824,700 (2016- N7,315,190) during the year as follows:

	N
Old people's and motherless babies' home	351,000
Various islamic societies	375,000
Chartered Insurance Institute of Nigeria award of excellence	50,000
Chartered Insurance Institute of Nigeria ramadan tafsir	200,000
Ansarudeen Sociaty Iseyin	100,000
2017 special sports fiesta	50,000
Get together- NAIPCO	50,000
Others	2,648,700
	3,824,700

Employment of disabled persons

The Company's recruitment and staff development policies and practices are non-discriminatory.

STACO INSURANCE PLC

**DIRECTORS' REPORT (CON'TD)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Employee involvement and training

The Company ensures that employees are informed of matters concerning them through formal and informal fora with an appropriate two-way feedback mechanism. In accordance with the Company's policy of continuous development, in-house training is provided on various aspects of the organisation. In addition, employees are nominated to attend both local and international courses and workshops which are complemented by on-the-job trainings.

Health, safety at work and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company gives priority to the health and safety of its employees by ensuring that health and safety procedures are substantially complied with and maintained in its daily operations.

Acquisition of own shares

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

Post balance sheet events

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2017 and the profit attributable to equity holders on that date other than as disclosed in the financial statements.

Auditors

Abayomi Dosunmu & Co. have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004. A resolution will be proposed authorising the Directors to determine their remuneration

By order of the Board

JACKSON ETTI & EDU
[Signature]
Company Secretary
Jackson, Etti & Edu
Company Secretary

9th September, 2019
FRC/2013/NBA/00000003320

STACO INSURANCE PLC

Responsibilities of Directors

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Insurance Act CAP I17 LFN 2004 the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Group as at the year end and of its comprehensive income for the year then ended and comply with the requirements of both Acts.

These responsibilities include ensuring that:

- (a) Adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities.
- (b) Proper accounting records are maintained.
- (c) Applicable accounting standards are followed.
- (d) Suitable accounting policies are used and consistently applied.
- (e) The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the group will continue in business.



Bayo Fakorede
Executive Director
FRC/2013/CIIN/00000004099

Prince Samuel Turoti
Chairman
FRC/2014/ICAN/00000006807

**STACO Management's Comment and Analysis
for the year ended 31 December 2017**

MANAGEMENT'S COMMENTS AND ANALYSIS (MC & A)

In order to give an insight to our structure, strategy and mode of operation, we have outlined this MC & A as at 31st December, 2017. It should be read in conjunction with the audited financial statements of Staco insurance Plc and its subsidiary. All figures are in thousands of Nigerian Naira except otherwise stated.

Nature of business

The Staco Group is made up of Staco Insurance Plc (The Company) and its subsidiary in Sierra Leone. The principal activity of the Company is underwriting of Non-life insurance business while its subsidiary is engaged in the underwriting of Life and Non-life insurance businesses. The Company's portfolio cuts across Nigeria's public and private sectors covering Oil and Gas, Engineering/Construction, Manufacturing, Trade, Aviation, Marine, etc. The Company is also developing its micro insurance arm.

Business objective and strategy

The Company is registered and incorporated in Nigeria while its subsidiary is registered and incorporated in Sierra Leone. The Company provides non-life insurance services to both retail and corporate clients all over Nigeria. The Company aims to rank among the highly rated insurance companies in Nigeria by the year 2020. To achieve this, it is the company's wish to strengthen service delivery through the deployment of modern Information Technology techniques and branch/agency network expansion. Intensification of direct and indirect marketing activities by awareness creation amongst others will also contribute to the achievement of target.

Quality policy statement

STACO Insurance Plc is committed to delivering insurance and financial services of superior quality, surpassing customers expectations and ensuring strict compliance with regulatory and statutory requirements. We continually improve the effectiveness of our quality management system in line with Global Credit Rating Company Rate- 2009 (A-)

STACO Management's Comment and Analysis (Cont'd)
for the year ended 31 December 2017

We establish measurable goals and objectives at departmental levels which we review as the need arises ensuring timely and effective implementation of company strategy.

i) Performance Indicators

Operating results, cash flow and financial condition (in thousands of Nigerian Naira):

	2017 N'000	Group 2016 N'000	Change %	2017 N'000	Company 2016 N'000	Change %
Gross written premium	5,753,037	5,403,082	6.48%	5,224,762	4,794,411	8.98%
Net premium earned	4,499,633	3,598,024	25.06%	3,874,917	3,111,769	24.52%
Underwriting results	1,791,530	1,705,551	5.04%	1,126,124	1,366,064	-17.56%
Investment income	229,184	146,550	56.39%	182,463	129,671	40.71%
Operating and administrative expenses	(4,806,272)	(4,087,716)	17.58%	(4,537,761)	(3,902,637)	16.27%
Loss before tax	(2,496,837)	(2,411,315)	3.55%	(2,923,253)	(2,474,229)	18.15%
Earning per share (k)	(28)	(24)	17%	(30)	(23)	30%

There was an increase of 6.48% and 8.98% in gross written premium respectively for group and company in 2017 in comparism with 2016 due to the reality of no premium no cover policy that was put in force by the Nigerian Insurance Industry regulator.

The "no premium no cover" policy also had near significant effect on the net premium income increasing from N3,598,024,000 to N4,499,633,000 and N3,111,769,000 to N3,874,917,000 respectively for the group and company.

Group underwriting results increased to N1,791,530,000 from N1,705,551,000 and decreased from N1,366,064,000 to N1,126,124,000 for the company.

The Group's investment income increased from N146.55 million in 2016 to N229.18 million in 2017 representing an increase of 56.38%.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STACO INSURANCE PLC**

Report on the audit of the consolidated and separate financial statements

We have audited the accompanying consolidated and separate financial statements of Staco Insurance Plc set out on pages 19 to 110 which comprise the consolidated and separate statement of financial position as at 31 December, 2017, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standard on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Emphasis of Matter

Solvency Margin Deficit - As detailed on pages 72 and 73 dealing with capital management, the company's solvency margin as at 31 December, 2017 was in the negative of N231,616,000. This falls short of the required minimum level of N3,000,000,000 for solvency margin prescribed under Section 24 of the Insurance Act, 2003 by N3,231,616,000.

Shortfall in Asset Cover - Note 45 on page 108 discloses that the company's total assets of N2,429,028,000 fell short of its total liabilities of N3,299,495,000 by N870,467,000.

Minimum Capital Requirement - The company's shareholders funds was N258,249,000 as at 31 December, 2017 as indicated by the Statement of Financial Position on page 45. This fell short of the regulatory minimum capital requirements of N3,000,000,000 by N2,741,751,000.

Opinion

In our opinion, subject to the items noted under emphasis of matter in respect of solvency margin deficit, shortfall in assets cover and minimum capital requirement, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Staco Insurance Plc. ("the company") and its subsidiary (together "the group") as at 31 December 2017, and of their consolidated and separate financial performance, their consolidated and separate statement of changes in equity for the year then ended, and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirement of the Companies and Allied Matters Act, the Nigeria Insurance Act and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Independence

We are independent of the Group in accordance with the International Ethical Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

TO MEMBERS OF STACO INSURANCE PLC

In compliance with the provisions of Section 359(3) to (6) of the Companies and Allied Matters Act (Cap C20) Laws of the Federation of Nigeria 2004, the Committee considered the Audited Financial Statements for the year ended 31 December 2017 together with the Management Control Report from the Auditors and the Group's responses to this report at its meeting held on 20 June, 2018.

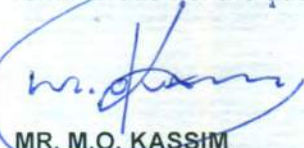
In our opinion, the scope and planning of the audit for the year ended 31 December 2017 were adequate.

After due consideration, the Committee accepted the report of the auditors that the financial statements were in accordance with ethical practice, International Financial Reporting Standards, Companies and Allied matters act CAP C20 LFN 2004, Nigerian Insurance Act and Financial Reporting Council and give a true and fair view of the state of the group's financial affairs.

The Committee reviewed management's responses to the Auditors' findings in respect of Management matters both the Auditors and our members are satisfied with management's responses thereto. On the review of insider/related party transactions, the Committee was satisfied with their status.

The Committee therefore recommended that the audited financial statements of the Group for the year ended 31 December 2017 and the Auditors' report thereon be presented for adoption at the Annual General Meeting.

The Committee also approved the provision made in the financial statements in relation to the remuneration of the auditors.



MR. M.O. KASSIM

Chairman, Audit and Compliance Committee
FRC/2013/IODN/0000004302

Dated: 4 September, 2019

Members of the Audit and Compliance Committee are:

Mr. M.O. Kassim	-	Chairman – Shareholders' Representative
Mr. E. Rewane	-	Member – Shareholders' Representative
Mr. Olusegun Alimson	-	Member – Non Executive Director
Mr. Omotola Talabi	-	Member – Non Executive Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STACO INSURANCE PLC**

Report on the audit of the consolidated and separate financial statements

We have audited the accompanying consolidated and separate financial statements of Staco Insurance Plc set out on pages 19 to 110 which comprise the consolidated and separate statement of financial position as at 31 December, 2017, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standard on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Emphasis of Matter

Solvency Margin Deficit - As detailed on pages 72 and 73 dealing with capital management, the company's solvency margin as at 31 December, 2017 was in the negative by N231,616,000. This falls short of the required minimum level of N3,000,000,000 for solvency margin prescribed under Section 24 of the Insurance Act, 2003 by N3,231,616,000.

Shortfall in Asset Cover - Note 45 on page 108 discloses that the company's total assets of N2,429,028,000 fell short of its total liabilities of N3,299,495,000 by N870,467,000.

Minimum Capital Requirement - The company's shareholders funds was N258,249,000 as at 31 December, 2017 as indicated by the Statement of Financial Position on page 45. This fell short of the regulatory minimum capital requirements of N3,000,000,000 by N2,741,751,000.

Opinion

In our opinion, subject to the items noted under emphasis of matter in respect of solvency margin deficit, shortfall in assets cover and minimum capital requirement, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Staco Insurance Plc. ("the company") and its subsidiary (together "the group") as at 31 December 2017, and of their consolidated and separate financial performance, their consolidated and separate statement of changes in equity for the year then ended, and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirement of the Companies and Allied Matters Act, the Nigeria Insurance Act and the Financial Reporting Council of Nigeria Act No. 6,2011.

Independence

We are independent of the Group in accordance with the International Ethical Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit matter

Valuation of Insurance contract liabilities

The company's Insurance contract liabilities of 3.3 billion is significant representing about 52% of total liabilities of the company with the following components requiring professional judgments involving assumptions for arriving at the following estimates:

Outstanding claims provision N1.351 billion
Claims incurred but not reported N478 million
Provision for unearned premium N1.471 billion
Life liability N249 million

We focussed on this aspect to ensure that judgements have been exercised professionally on the basis of appropriate data and that legal provisions as well as the requirements of the International Financial Reporting Standards (IFRS) have been complied with.

How our audit addressed the key audit matter

In view of the fact that the output of the actuarial valuation is greatly influenced by the data used, we carried out checks to confirm that data provided for the valuation were fairly stated on a basis consistent with prior years. We performed detailed substantive testing over claims paid and provision for outstanding claims balance. We have also placed reliance on the actuary valuation by the firm of valuers used by the company, which is a well known firm, with experience in Nigeria. The Valuers are engaged by the company, and perform their work in accordance with the International Valuation Standards. This factor is considered a key audit matter in both the consolidated and separate financial statements.

Other information

The Directors are responsible for the other information. The other information comprises: Corporate information, Chairman's statements, Chief executive officer's review, Directors' report, Corporate governance report, Management comments and analysis, Statement of director's responsibilities, Report of the audit committee, Hypothecation, Risk management report, Statement of value added and five year financial summary but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act and the Nigerian Insurance Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management

either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant deficiencies in internal control that we identify during our audit.

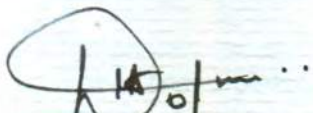
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Schedule 6 of the Companies and Allied Matters Act, Cap C 20, Laws of the Federation of Nigeria and Section 28(2) of the Insurance Act 2003 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statements of financial position and statement of comprehensive income are in agreement with the books of account.
- iv) as stated in note 44, the company contravened certain requirements of the National Insurance Commission Operational guidelines during the financial year and paid the stipulated penalties.



Aramide Dosunmu
FRC/2013/ICAN/000000000665
For: Abayomi-Dosunmu & Co
Chartered Accountants
Lagos,
Nigeria.

11 SEPTEMBER, 2019



STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity:

The Company known as Staco Insurance Plc has a partly owned (60%) subsidiary known as Staco Insurance Company Limited in Sierra Leone, West Africa. The subsidiary was floated as a private limited liability company on 27th February, 2008 and is a composite insurance company engaged in the provision of life and non-life insurance cover to retail and corporate customers in Sierra Leone, West Africa.

The Group is principally engaged in the provision of non-life and life insurance businesses.

The issuance of these Group consolidated financial statements were authorised by the Board of Directors on 10th of June, 2019.

2. Going Concern

These financial statements have been prepared on the going concern basis. The group has no intension or need to reduce substantially its business operations. The management believes that the going concern assumption is appropriate for the group 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 business. Liquidity ratio and continuous evaluation of current ratio of the group is carried out to ensure that there are no going concern threat to its operation.

3. Basis of preparation

The company and the group Financial Statements for the year have been presented in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, CAP C20 LFN 2004, Nigerian Insurance Act and Financial Reporting Council to the extent that they do not conflict with IFRS.

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

Compliance with IFRS

The financial statements of the group have been prepared in accordance with international financial reporting standards (IFRSs), as published by the International Accounting Standards Board (IASB), and the interpretations of these standards, issued by the International Financial Reporting Interpretation Committee (IFRIC). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied.

Basis of measurement

The financial statements have been prepared under the historical cost convention as modified by the remeasurement of investment properties, available for sale investments and financial assets at fair value.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of estimates and judgements

The presentation of the groups consolidated financial statements requires management to make estimates and judgement that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management bases and evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following estimates and judgements are considered key significant judgements and estimates uncertainty in relation to the financial position and performance of the group.

Functional and presentation currency

Items included in the consolidated financial statements of each entity of the group are measured using the currency that best reflects the economic substance of the underlying events and circumstance relevant to that entity ("the functional currency"). These consolidated financial statements are presented in Nigerian Naira (N), which is the Company's functional currency. The financial information has been rounded to the nearest thousand, except as otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intension to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the group.

(a) New and amended standards and interpretations not yet adopted by the Group

As at December 31, 2017, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

(i) IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRS, such as IAS 17 Leases. The standard also provides a single model that applies to contracts with customers and two approaches to recognising revenue at a time or over time. The model also features a contract based five-step analysis of transaction to determine whether, how much and when revenue is recognised. This new standard is not expected to have significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and the amendments will be effective from 1 January 2018.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 14 Regulatory Deferral Accounts

The international Accounting Standards Board (IASB) issued IFRS 14 Regulatory Deferral Accounts to ease the adoption of international Financial reporting Standards (IFRS) for rate-regulated entities. The standard allows an entity to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS. This standard provides first-time adopters of IFRS with relief from derecognising rate regulated assets and liabilities is completed by the IASB. The effective date is 1 January 2016. This standard has no impact on the Group since it is an existing IFRS preparer.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The IASB issued amendments to IAS 16 Property, Plant Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. The effective date is 1 January 2016. This amendment will not have impact on the Group.

IFRS 9 Financial instruments

In 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. This standard will probably have significant impact on the Group impairment model. The impairment model has been changed from "incurred loss" under IAS 39 to an "expected credit loss" model. This model is expected to increase impairment allowance for credit losses recognised in the Group. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application of previous versions of IFRS 9 (2009, 2010, and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IAS 19 Defined Benefit Plans: employee contributions (Amendments)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since it does not have a defined benefit plan.

IFRS 11: Joint Arrangements: accounting for acquisitions of interest (Amendments)

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 27: Equity Method in separate financial statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from their date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Group.

IFRS 10, IFRS 12 and IAS 28: Investment entities applying the consolidation exception (Amendments)

The amendments address that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Group.

IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture (Amendments)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitutes a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interest in the associate or joint venture.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Group.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4. New and ammended standards and interpretations

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in this financial statements.

The Group is yet to adopt the following new standards and amendments to standards, including any consequential amendments to other standards.

Standard	Content	Effective Year
IFRS 15	Revenue from contracts with Customers	01-Jan-18
Amendments to IFRS 10 and IAS 28	Sale or cotribution of Assets between an investor and its Associate and Joint venture	Deferred indefinitely
IFRS 9	Financial Instruments	01-Jan-18
IFRS 16	Leases	01-Jan-19
Amendments to IFRS 2	share Based payment - classification and measurement of share based payment transactions	01-Jan-18
Amendments to IAS 40	Investment property - Transfers of investment property	01-Jan-18
IAS 28	Investment in Associates and Joint ventures	01-Jan-18

Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendments is effective from 1 january 2017. the group is currently evaluating the impact, but does not anticipate that the adoption the amendments would have a material impact on its financial statements.

IFRS 10 , IFRS 12 and IAS 28

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since the Group does not qualify as an investment entity under IFRS 10.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4. New and ammended standards and interpretations (Cont'd)

IFRS 16 - LEASES

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 7

In January 2016, the IASB issued amendments to IAS 7 Statement of cash flow with the intention of improving disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flow and non-cash items (e.g. gains and losses due to foreign currency movements.) the amendment is effective from 1 January 2017. The group is currently evaluating the impact.

IAS 32 Offsetting financial assets and financial liabilities (Amendment)

The amendment clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. This amendment does not have impact on the Group.

IAS 39 Novation of derivatives and continuation of hedge accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This does not have impact on the Group.

IAS 36 Recoverable amount disclosures for non-financial assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. This does not have impact on the Group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRIC 21 Levies

IFRIC 21 is applicable to all levies imposed by governments under legislation, 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. The interpretation clarifies that an entity recognises a 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, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in financial statements. This does not have impact on the Group.

IAS 19 Defined Benefit Plans: employee contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted with effect from 1 July 2014 to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. This does not have impact on the Group.

5 Significant accounting policies

5.1 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against prior year.

5.1.1 Investment in Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that, presently, are exercisable are taken into account.

The Group has adopted IFRS 3 Business Combinations (2008). Its adoption though prospectively applied had no material impact on earnings per share. The new accounting policy in respect to business combinations is presented as follows:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting method of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated financial statement from the effective acquisition date and or up to the effective date on which control ceases, as appropriate. The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances. Subsidiaries are not consolidated from the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling Interest

The group applies IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. Under this accounting policy acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non controlling interests are based on the proportionate amount of the net assets of the subsidiary.

5.2 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

5.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.4 Financial Assets

5.4.1 Non-derivative financial assets

The Company classifies its financial assets into the following categories: at fair value through profit and loss, loans and receivables, held to maturity and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

5.4.1.1 Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

5.4.1.2 Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

5.4.1.3 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

5.4.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

5.4.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4.3 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

5.4.4 Derecognition of financial assets

A financial asset is derecognised when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - * the Company has transferred substantially all the risks and rewards of the asset;
 - * the Company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the amount of the asset and the maximum amount of consideration that the Company could be required to repay

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Trade receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, trade receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. The impairment loss is calculated as the difference between the carrying amount and present value of expected future cash flows discounted using the effective interest rate. Trade receivables are derecognised when the derecognition criteria for financial assets have been met.

Impairment of trade receivables

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 an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect all the 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 derecognised 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.

5.6 Reinsurance assets

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or insurance contract liabilities associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Commission income is received on buying reinsurance and is recognised in the profit or loss immediately at the date of purchase and is not amortised. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

5.7 Other receivables and prepayments

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 insolvency or significant financial difficulties of the debtors) that the company will not be able to collect all the amount due under the original terms of the invoice. Impaired debts are derecognised 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 reversal date. Any subsequent reversal of an impairment loss is recognised in the profit or loss. Prepayments are carried at cost less accumulated impairment losses.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Deferred acquisition costs (DAC)

Deferred acquisition cost are those direct and indirect costs incurred during the reporting period arising from the writing or renewing of insurance contracts and/or investment contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period in which the related revenues are earned. The reinsurers' share of DAC is amortised in the same manner as the underlying asset. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period. DAC is derecognised when the related contracts are either settled or disposed of.

5.9 Investment properties

Property held for long-term rental yields that is not occupied by the companies in the Group is classified as investment property. Investment property comprises freehold land and buildings. It is carried at fair value, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert. Changes in fair values are recorded in the income statement.

The initial cost of the property shall be the fair value (where available). When not available the initial cost shall be used. The property is carried at fair value after initial recognition. If an investment property becomes owneroccupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. carried at fair value after initial recognition. If an investment property becomes owner occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

5.10 Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Leases

Finance Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating Leases

Other leases are operating leases and, except for investment property, the leased assets are not recognized in the Company's statement of financial position. Investment property held under an operating lease is recognized in the Company's statement of financial position at its fair value.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Any increase in assets carrying amount, as a result of revaluation is credited to other comprehensive income and accumulated in Revaluation Surplus within Revaluation reserves in equity. The increase is recognized in profit or loss to the extent that it reverses reduction decrease of the same asset previously recognized in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss and is provided on straight-line basis over the estimated useful life of the assets. Depreciation methods, estimated useful lives and residual values are reviewed annually and adjusted when necessary. The average useful lives per class of asset are as follows:

Assets class	Average useful life
Land	-
Buildings	50 years
Plant and machinery	10 years
Office equipment	10 years
Motor vehicles	5 years
Furniture and fittings	10 years

(iv) De-recognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the year asset is derecognized.

(v) Work in progress

Construction cost and improvements in respect of property, plant and equipment is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property, plant and equipment.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Surplus on Revaluation

When the group's land and buildings are revalued by independent professional valuer, surpluses arising on the revaluation of these assets are credited to the asset revaluation reserve account.

When assets previously revalued are disposed off, any revaluation surplus relating to the disposed assets is transferred to retained earnings.

Investment property

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value based on valuers hired by the group. Investment properties are revalued with sufficient regularity by external professional. The valuers value is determined by discounting expected future cash flows at appropriate market interest rates. Changes in fair value of investment properties are recognised in the statement of comprehensive income as investment surplus. When investment properties become owner-occupied, the group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus. Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

5.13 Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised and ceases temporarily while the residual value exceeds or is equal to the carrying value.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

An intangible asset with an infinite life is initially recognised at cost and subsequently at fair value. Intangible assets with an infinite life are not subject to amortization on an annual basis but subject to review for impairment.

An intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Software is amortised on a straight line method over its estimated useful life from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

5.15 Insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are decognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed, which is a requirement of IFRS 4 on insurance contracts as to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

5.16 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). Financial liabilities are derecognised when extinguished.

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.

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

The Group 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.

Borrowings/Bank overdraft

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowing are classified as current liabilities unless the group has an unconditional right to defer settlement of the liabilities for at least 12 months after the date of the statement of financial position.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 Trade payables

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

5.18 Other payables and accruals

Other payables and accruals are measured initially at fair value and subsequently measured at amortised cost.

5.19 Employee benefit liability

(a) Defined contribution plans

For defined contribution plans, the company pays contribution to publicly and privately administered pension insurance plans on a contractual basis. The company contributes 10% of basic salary, rent and transport allowances, with the employee contributing a further 8% in line with the provisions of the Pension Reforms Act 2014. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(c) Other employee benefits

Other employee benefits are expensed when they are incurred. Other personnel expenses relate to one-off discretionary payments and other benefits paid to staff of the group. There is no other constructive or contractual obligations on the group aside from the actual amount incurred.

(d) Termination benefit

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current Income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

5.21 Impairments

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security in excess of the amount previously recognized in profit or loss is recognized in other comprehensive income.

Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

5.22 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.23 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment Property

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

5.24 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

5.25 Share capital and premium

Ordinary shares are recognized at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.26 Revaluation reserve

Revaluation reserve includes the net cumulative change in the fair value of property, plant and equipment until the asset is derecognised or disposed.

5.27 Fair value reserve

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

5.28 Contingency Reserve

Compliance with Section 21 (2) of Insurance Act 2003, the contingency reserve is credited with the greater of 3% of total premiums, 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.

5.29 Translation reserve

The translation reserve includes the net change in the translation differences in foreign currency as a result of the consolidation of the foreign subsidiary.

5.30 Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

5.31 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

Diluted Earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5.32 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.33 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

5.34 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

For qualifying assets commencing on or before 1 January 2012, borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that necessarily took a substantial period of time to get ready for its intended use or sale) were expensed as incurred.

5.35 Gross premium written

Gross premiums comprise the premiums on general insurance entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business

5.36 Unearned premiums

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired period of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs.

5.37 Reinsurance premium and claims

The Company cedes insurance risk in the normal course of its business for businesses that exceed its risk retention limit. However there are some special schemes where management applies its discretion irrespective of the limiting factors. Reinsurance claims and premiums are recognised when the related gross insurance claim and premium is recognised according to the terms of the relevant contract.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.38 Commission income

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

5.39 Gross benefits and claims

Gross benefits and claims for general insurance are included in the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance contract liabilities.

5.40 Reinsurance claims.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

5.41 Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims represents the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not.

The provision includes an allowance for claims management and handling expenses. The provision for outstanding claims for reported claims, is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the profit or loss in the financial period in which adjustments are made, and disclosed separately if material. Reinsurance recoverables are recognized when the Company records the liability for the claims and are not netted off claims expense but are presented separately in the income statement. Claims incurred in respect of long-term insurance contracts consist of claims arising during the year including provision for policyholders' liabilities. Outstanding claims on long-term insurance contracts that have occurred at the statement of financial position date and have been notified by the insured are carried at the claim amounts advised.

5.42 Underwriting Expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, and other underwriting expenses.

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

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

Maintenance expenses are those other expenses incurred in servicing existing policies/contracts. These expenses are charged in the accounting period in which they are incurred.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.43 Investment income

Investment income is recognised in the profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established. Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms

5.44 Realized/unrealized gain and losses

Realised / unrealised gains and losses recorded in the profit or loss on investments include any gains and losses on financial assets and investment properties. Gains and losses on the sale of investments is the difference between net sales proceeds and the original carrying or amortised cost and is recorded on occurrence of the sale transaction.

5.45 Other operating expenses

Other operating expenses are expenses other than claims, investment expenses and underwriting expenses. They include wages and salaries, professional fees, depreciation, management and other non - operating expenses. Other operating expenses are accounted for on an accrual basis and recognised in the income statement upon utilization of the service or the date of their origin.

5.46 Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment of the financial statements.

STACO INSURANCE PLC

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group 2017 N'000	Group 2016 Restated N'000	Group 1 January 2016 N'000	Company 2017 N'000	Company 2016 Restated N'000	Company 1 January 2016 N'000
Assets	Note						
Cash and cash equivalents	8	1,360,873	1,920,323	3,986,742	976,660	1,656,736	3,534,447
Financial assets	9	841,157	732,913	430,744	392,074	303,077	297,965
Trade receivables	10	347,200	224,920	109,331	60,137	83,339	86,110
Reinsurance assets	11	1,060,294	1,140,115	1,146,913	1,060,294	1,140,115	1,128,114
Other receivables and prepayments	12	317,708	769,739	197,723	203,979	751,883	180,253
Deferred acquisition cost	13	161,135	249,914	249,328	161,135	249,914	232,989
Investment in subsidiary	14	-	-	-	327,936	285,227	265,834
Investment properties	15	1,520,000	1,520,000	1,480,000	1,520,000	1,520,000	1,480,000
Deferred tax assets	16	7,820	-	7,843	-	-	-
Leased assets	17	212,847	272,123	301,517	212,847	272,123	301,517
Property, plant and equipment	18	3,004,624	3,128,403	2,631,694	2,970,730	3,088,064	2,592,494
Statutory deposit	19	300,000	300,000	300,000	300,000	300,000	300,000
Intangible asset	20	60,105	69,921	97,991	56,000	69,921	85,376
Total assets		9,193,763	10,328,371	10,939,826	8,241,792	9,720,399	10,485,099
Liabilities							
Insurance contract liabilities	21	3,701,877	3,562,625	3,413,563	3,299,495	3,155,995	3,207,148
Financial liabilities	22	4,444,846	3,300,478	2,128,187	4,444,846	3,300,478	2,124,405
Trade payables	23	104,773	13,753	94,230	87,653	5,046	2,085
Other payables and accruals	24	117,840	92,813	98,142	37,993	67,680	67,190
Deferred tax liabilities	16.1	98,050	101,892	1,475,000	98,050	98,050	1,475,000
Cashbook overdrawn		-	-	69,252	-	-	69,252
Deferred tax liabilities		-	-	102,615	-	-	98,050
Employee benefit liability	25	6,027	5,818	1,306	-	-	-
Taxation	26	108,635	86,749	66,772	15,506	21,804	32,374
Total liabilities		8,582,048	7,164,128	7,449,067	7,983,543	6,649,053	7,075,504
Equity	27						
Issued share capital	27a	4,670,544	4,670,544	3,070,544	4,670,544	4,670,544	3,070,544
Share premium	27b	434,164	434,164	434,164	434,164	434,164	434,164
Revaluation reserve	27c	1,595,299	1,595,299	1,030,606	1,595,299	1,595,299	1,030,606
Fair value reserve	27d	163,938	61,491	4,598	417,141	271,985	195,699
Contingency reserve	27e	2,118,535	1,952,489	1,799,353	2,077,338	1,920,595	1,776,763
Retained earnings	27f	(8,538,831)	(5,660,870)	(2,881,273)	(8,936,237)	(5,821,241)	(3,098,181)
Shareholders' funds		443,649	3,053,117	3,457,992	258,249	3,071,346	3,409,595
Non controlling interest	27g	168,066	111,126	32,767	-	-	-
		611,715	3,164,243	3,490,759	258,249	3,071,346	3,409,595
Total Liabilities and Equity		9,193,763	10,328,371	10,939,826	8,241,792	9,720,399	10,485,099

Approved by the Board of Directors on 6 September, 2019.

Signed on behalf of the Board of Directors by:



Jaye Fatungase
Chief Financial Officer
FRC/2013/CAN/00000001698



Bayo Fakorede
Executive Director
FRC/2013/CIN/00000004099



Prince Samuel Turoti
Chairman
FRC/2014/CAN/00000006807

The statement of significant accounting policies on pages 19 to 44 and the accompanying notes on pages 50 to 110 form part of these financial statements.

STACO INSURANCE PLC

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 N'000	Group 2016 Restated N'000	Company 2017 N'000	Company 2016 Restated N'000
Gross Premiums written	28	5,753,037	5,403,082	5,224,762	4,794,411
Change in unearned premium		234,119	(221,295)	107,663	(129,457)
Gross Premium Income	28a	5,987,156	5,181,787	5,332,425	4,664,954
Reinsurance expenses	28b	(1,487,523)	(1,583,763)	(1,457,508)	(1,553,185)
Net Premium Income		4,499,633	3,598,024	3,874,917	3,111,769
Fees and Commission Income	29	253,783	193,614	243,127	193,614
Net underwriting Income		4,753,416	3,791,638	4,118,044	3,305,383
Claims expense	30	(2,239,888)	(1,051,256)	(2,115,020)	(994,381)
Underwriting expenses	31	(721,998)	(1,034,831)	(876,900)	(944,938)
Net underwriting and claims expenses		(2,961,886)	(2,086,087)	(2,991,920)	(1,939,319)
Underwriting results	7	1,791,530	1,705,551	1,126,124	1,366,064
Investment income	32	229,184	146,550	182,463	129,671
Other income	33	482,340	145,753	446,990	145,114
Operating and administrative expenses	34	(4,806,272)	(4,087,716)	(4,537,761)	(3,902,637)
Interest on convertible bond	35	(141,069)	(212,441)	(141,069)	(212,441)
Impairment loss on trade receivables	36	(52,550)	(109,012)	-	-
Loss before taxation		(2,496,837)	(2,411,315)	(2,923,253)	(2,474,229)
Taxation	26.1	(105,546)	(138,986)	(35,000)	(105,000)
Loss after taxation		(2,602,383)	(2,550,301)	(2,958,253)	(2,579,229)
Other comprehensive income					
Items that are or may be reclassified to profit or loss:					
Net fair value gain/(loss) on available for sale financial assets	27d	102,447	56,893	102,447	56,893
Foreign exchange translation (loss)/gain	27f(i)	(109,532)	(76,160)	-	-
Appreciation on investment in subsidiary (Note 14.2)	27d	-	-	42,709	19,393
Items that will not be reclassified to profit or loss:					
Revaluation gain on property and equipment		-	341,552	-	341,552
Total comprehensive income for the year		(2,609,468)	(2,228,016)	(2,813,097)	(2,161,391)
Profit attributable to:					
Owner of equity		(2,659,323)	(1,893,564)	(2,958,253)	(2,579,229)
Non controlling interest		56,940	33,894	-	-
		(2,602,383)	(1,859,670)	(2,958,253)	(2,579,229)
Total comprehensive income attributable to:					
Owner of equity		(2,666,408)	(2,261,910)	(2,813,097)	(2,161,391)
Non controlling interest		56,940	33,894	-	-
		(2,609,468)	(2,228,016)	(2,813,097)	(2,161,391)
Earning per share(kobo)					
- Basic		(28)	(24)	(30)	(23)
- Diluted		(28)	(24)	(30)	(23)

The statement of significant accounting policies on pages 19 to 44 and the accompanying notes on pages 50 to 110 form part of these financial statements.

STACO INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Share Capital N'000	Share Premium N'000	Revaluation Reserve N'000	Fair value (Available for sale) Reserve N'000	Contingency Reserve N'000	Retained Earnings N'000	Non Controlling Interest N'000	Total Equity N'000
Balance as at 1 January 2017	4,670,544	434,164	1,595,299	61,491	1,952,489	(5,660,870)	111,126	3,164,243
Profit for the year	-	-	-	-	-	(2,602,383)	-	(2,602,383)
Translation reserve	-	-	-	-	-	(109,532)	-	(109,532)
Available for sale reserve	-	-	-	102,447	-	-	-	102,447
Revaluation surplus	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	166,046	(166,046)	-	-
Transfer from (to) non controlling interest	-	-	-	-	-	-	56,940	56,940
Transactions with equity holders recorded directly in equity:								
Issue of share capital	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	4,670,544	434,164	1,595,299	163,938	2,118,535	(8,538,832)	168,066	611,715
	Share Capital N'000	Share Premium N'000	Revaluation Reserve N'000	Fair value (Available for sale) Reserve N'000	Contingency Reserve N'000	Retained Earnings N'000	Non Controlling Interest N'000	Total Equity N'000
Balance as at 1 January 2016	3,070,544	434,164	1,030,606	4,598	1,799,353	(2,881,273)	32,767	3,490,759
Loss for the year	-	-	-	-	-	(2,550,301)	-	(2,550,301)
Translation reserve	-	-	-	-	-	(76,160)	-	(76,160)
Available for sale reserve	-	-	-	56,893	-	-	-	56,893
Revaluation surplus	-	-	564,693	-	-	-	-	564,693
Transfer to contingency reserve	-	-	-	-	153,136	(153,136)	-	-
Transfer from (to) non controlling interest	-	-	-	-	-	-	78,359	78,359
Transactions with equity holders recorded directly in equity:								
Issue of share capital	1,600,000	-	-	-	-	-	-	1,600,000
Dividend	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	4,670,544	434,164	1,595,299	61,491	1,952,489	(5,660,870)	111,126	3,164,243

STACO INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Company

	Share Capital N'000	Share Premium N'000	Revaluation Reserve N'000	Fair value (Available for sale) Reserve N'000	Contingency Reserve N'000	Retained Earnings N'000	Total Equity N'000
Balance as at 1 January 2017	4,670,544	434,164	1,595,299	271,985	1,920,595	(5,821,241)	3,071,346
Loss for the year	-	-	-	-	-	(2,958,253)	(2,958,253)
Translation reserve	-	-	-	-	-	-	-
Available for sale reserve	-	-	-	145,156	-	-	145,156
Revaluation surplus	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	156,743	(156,743)	-
Transfer from (to) non controlling interest	-	-	-	-	-	-	-
Transactions with equity holders recorded directly in equity:							
Issue of share capital	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Balance as at 31 December 2017	<u>4,670,544</u>	<u>434,164</u>	<u>1,595,299</u>	<u>417,141</u>	<u>2,077,338</u>	<u>(8,936,237)</u>	<u>258,249</u>

	Share Capital N'000	Share Premium N'000	Revaluation Reserve N'000	Fair value (Available for sale) Reserve N'000	Contingency Reserve N'000	Retained Earnings N'000	Total Equity N'000
Balance as at 1 January 2016	3,070,544	434,164	1,030,606	195,699	1,776,763	(3,098,180)	3,409,596
Loss for the year	-	-	-	-	-	(2,579,229)	(2,579,229)
Translation reserve	-	-	-	-	-	-	-
Available for sale reserve	-	-	-	76,286	-	-	76,286
Revaluation surplus	-	-	564,693	-	-	-	564,693
Transfer to contingency reserve	-	-	-	-	143,832	(143,832)	-
Transfer from (to) non controlling interest	-	-	-	-	-	-	-
Transactions with equity holders recorded directly in equity:							
Issue of share capital	1,600,000	-	-	-	-	-	1,600,000
Dividend	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Balance as at 31 December 2016	<u>4,670,544</u>	<u>434,164</u>	<u>1,595,299</u>	<u>271,985</u>	<u>1,920,595</u>	<u>(5,821,241)</u>	<u>3,071,346</u>

STACO INSURANCE PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Group 31 December 2017 N'000	Group 31 December 2016 N'000	Company 31 December 2017 N'000	Company 31 December 2016 N'000
Cash flow from operating activities	Note				
Premium received from policy holders		5,630,757	5,287,493	5,247,964	4,797,182
Receipts from claims recovery	30.3	468,860	817,258	468,860	815,784
Reinsurance premium paid	28b	(1,303,353)	(1,431,018)	(1,273,338)	(1,400,440)
Cash paid to and on behalf of employees	34.1	(965,505)	(893,460)	(833,757)	(835,177)
Other operating cash payments/receipts		(1,673,032)	(2,250,596)	(1,780,175)	(2,943,497)
Commission paid	31.1	(259,643)	(259,017)	(165,217)	(186,635)
Claims paid	30.1	(2,420,102)	(2,047,649)	(2,332,716)	(1,990,774)
Tax paid	26.2	(83,660)	(119,732)	(41,298)	(115,570)
Net cash used in operating activities	43	(605,678)	(1,726,647)	(709,677)	(1,859,127)
Cash flow from investing activities					
Purchase of property, plant and equipment	18	(107,034)	(175,176)	(102,373)	(164,519)
Purchase of intangible asset	20.2	(11,067)	(2,358)	(4,244)	(2,358)
Addition to available for sale	9.4	(16,079)	(22,081)	(100)	(22,081)
Addition to held to maturity	9.4	(8,310)	(330,511)	(5,679)	-
Dividend received	32	41,895	2,066	41,895	2,066
Interest received	32	91,974	47,513	45,253	30,634
Investment income	32	95,315	96,971	95,315	96,971
Proceeds from sales of assets		479	12,291	479	9,190
Net cash from/ (used in) investing activities		87,173	(371,285)	70,546	(50,097)
Cash flow from financing activities					
Proceeds from issue of share capital		-	125,000	-	125,000
Repayment of finance lease liabilities	24	(40,945)	(24,235)	(40,945)	(24,235)
Net cash (used in)/ from financing activities		(40,945)	100,765	(40,945)	100,765
Net decrease in cash and cash equivalents		(559,450)	(1,997,167)	(680,076)	(1,808,459)
Cash and cash equivalents at the beginning of the year		1,920,323	3,917,490	1,656,736	3,465,195
Cash and cash equivalents at the end of the year		1,360,873	1,920,323	976,660	1,656,736
Represented by:					
Cash at bank and in hand	8	1,360,873	1,920,323	976,660	1,656,736

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

Staco Insurance Plc was incorporated on 10th October, 1991. The group commenced operations on 1st October, 1994. In Staco Group, we transact all classes of Insurance businesses, in addition to undertaking Real Estate Business and High Impact Financial Services.

The combined authorized share capital in the Group is in excess of ₦6.5 billion with a paid-up share capital of over ₦4 billion and a total asset base of ₦9.8 billion.

The Group Business Plans, Programmes and Processes have equally undergone major upgrades and modernization to enhance our efficiency, competitiveness, and earning capacity. Staco clientele cuts across all sectors of the economy, and in the last few years, made significant inroad in the Oil and Gas and Public Sectors, where we lead-underwrite some major insurance businesses.

Staco Insurance Plc's vision is to transform and grow the Staco Group into a World-Class Financial Services Mega brand.

The issuance of these Group consolidated financial statements were authorized by the Board of Directors on 1 November, 2018.

2. Reporting Entity

Staco Insurance Plc is a company incorporated and domiciled in Nigeria. The Company emerged in July, 1994 as a result of a discreet acquisition and restructuring carried out on Alpha Insurance Plc. The RC No. of the company is 167274 of 10th October, 1991 and was subsequently licensed to transact all classes of non-life insurance business with Registration No. RI 135 and RI 135L on 1st October, 1994. The company under the new name commenced General Insurance Business and Special Risks with Registration No. RIC-O53. The address of the Company's registered office is 209, Herbert Macaulay Street, Ebute Metta, Lagos. The company is listed on the Nigerian Stock Exchange.

The company is owned by Nigerians who have distinguished themselves in their various business endeavours and managed by seasoned professionals who have proven integrity in the Nigerian Insurance Industry.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are disclosed on pages 19 to 45.

These policies have been consistently applied to all the years presented unless otherwise stated.

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Liabilities arising from insurance contracts

(i) Claims arising from non-life insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and which reserve the Group deems adequate.

(ii) Liabilities arising from life insurance contracts

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management makes various assumptions such as expenses inflation, valuation interest rate, mortality and further mortality improved in estimating the required reserves for life contracts.

(b) Impairment of trade receivables

In accordance with the accounting policy, the Group tests annually whether trade receivables have suffered any impairment. The recoverable amounts of the trade receivables have been carried in line with the number of days the amounts are outstanding. All outstanding premium above ninety days is considered to be impaired and have been fully provided for.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Risk Management Framework

Risk Oversight

The Board sets the organization's risk appetite, approves the strategy for managing risk and is ultimately responsible for the organization's system of internal control.

This function is carried out via its Board committees as follows:

Board Committees

Board audit and enterprise risk management committee

Functions

- Oversight of financial rep accounting
- Oversight of the external auditor
- Oversight of regulatory compliance
- Monitoring of internal control process
- Assist in the oversight of the review and approval of the company's risk management policy including risk appetite and risk strategy;
- Review the adequacy and effectiveness of risk management and controls;
- Oversee management's process for the identification of significant risks across the company and the adequacy of presentation, detection and reporting mechanisms.
- Review of the company's compliance level with applicable laws and regulatory requirements that may impact the company's risk profile.
- Review changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile; and
- Review large underwritten risks for adequacy of reinsurance and other risk management techniques including environment & social management system
- Review and recommend for approval of the Board risk management procedures and controls for new products and services.
- Oversight of enterprise risk management
- Review and approve the company's investment policy
- Approve investments over and above managements' approval limit
- Ensure that optimum asset allocation is achieved.

Finance and investment Committee

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management Framework (Cont'd)

The Technical Committee of the company recommends to the Risk management Committee of the Board an amount at risk that it is prudent for the Risk Committee to approve in line with the company's business strategies. The Board Risk Management Committee approves the Company's risk appetite each year, based on a well-defined set of risk measures.

Board Audit and enterprise risk management Committee is also responsible for establishing, documenting, and enforcing all policies that involves risk. Specifically, the Chief Risk Officer (a member of the Management Committee) is responsible for the risk policies, risk methodologies and risk infrastructure.

The Chief Risk Officer (CRO) plays a pivotal role in informing the Board, about the risk profile of the Company and also communicates the views of the Board and senior management down the Company. The CRO is also responsible for independently monitoring the Board risk limits set by the Board throughout the year, and delegating some responsibilities to the heads of the various strategic business units within the Company.

The Enterprise-wide risk management function which reports to the CRO, is in charge of identifying, evaluating, monitoring and recommending risk management solutions for the broad risk categories.

The internal audit function evaluates the design and conceptual soundness of risk measures, accuracy of risk modules, soundness of elements of the risk management information systems, adequacy and effectiveness of the procedures for monitoring risk, the progress of plans to upgrade risk management systems, and adequacy and effectiveness of application controls within the risk management information system, and the reliability of the vetting processes.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management Framework (Cont'd)

Risk Appetite

The company recognizes that its long-term sustainability is dependent upon the protection of our land, preservation of value and relationship with customers. To this end, we will not accept risks that materially impair reputation and value and requires that our customers are always treated with integrity. The company's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect potential deviations from our risk tolerance at an early stage at both the group and operating entity levels.

Risk Management and Procedures

We have developed policies and procedures for each broad category inherent in our business. The policies set out and ensure alignment and consistency in the way in which we deal with major risk types across the group, from identification to reporting, procedures targeted at managing each broad risk category are embedded in our Enterprise-wide Risk Management framework approved by the Board.

Risk Management is an ongoing activity and should be carried out as a part of day –to-day business. The risk are identified by different portfolio and strategic business unit and re-assessed regularly to determine whether there are new or emerging risk in the light of any current or anticipated changes. Treatment plans for identified risk are also monitored to ensure that risks are being mitigated as planned.

The company-wide risk assessment is refreshed and reported on twice per year. Management is responsible and accountable for ensuring that:

Risk management policies, framework and processes are compiled with;

The risk profiled for the areas under their control are refreshed and updated on a timely basis to enable the collation, analysis and reporting of risk to the Board committees. Explanations are provided to the Board committees for any major gaps in the risk profiled and any significant delays in planned treatments for high risk and high priority matters.

Our internal audit function, conducts a risk based audit on all business unit outputs of the annual Company-wide risk assessment to guide its annual audit planning.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management Framework (Cont'd)

Risk Categorization

Staco Insurance Plc is exposed to an array of risk through its operations. The Company has identified and categorized its exposure to these broad risks as listed below:

- Market risk
- Underwriting risk
- Credit risk
- Liquidity risk
- Business risk
- Reputational risk

Market Risk: This reflects the possibility that the value of investment's funds will fall as a result of changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. The Company is exposed to this risk through its financial assets and comprises.

Equity Price Risk: The risk associated with volatility in the stocks in our investment portfolio.
Foreign Exchange Risk: May arise from movement of currency price on assets held in foreign currency.

Interest Rate Risk: The risk that the value of a fixed income security will fall as a result of movement in market interest rate.

Property Price Risk: The Company's portfolio is subject to property price risk arising from changes in the market value of properties.

Underwriting Risk: Our activities are primarily concerned with the pricing, acceptance and management of risk arising from our contracts with customers.

It entails the risk that:

The prices charged by the company for insurance contracts will be ultimately inadequate to support the future obligations arising from those contracts, risk exposure under its insurance contracts that were unanticipated in the design and pricing of the insurance contract; risk are not adequately ceded to reinsurers exposing the company to potential high claims pay out; many more claims occur than expected or that some claims that occur are much larger than expected claims resulting in unexpected losses and the company's policyholder will act in ways that are unanticipated and have an adverse effect on the company.

Credit Risk: This is the risk from the uncertainty of an obligor's ability to perform its contractual obligations. As the company is not in the business of granting loans like banks, credit risks in terms of customer default on loan repayment is not applicable. However, in terms of premium payment and investment in counterparties, considerable risks exist that brokers and large corporate who are allowed extended payment period may default and this is closely allied to cash flow risk.

The three sources of credit risk identified are;

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management Framework (Cont'd)

Direct Default Risk: Risk that the company will not receive the cash flow assets to which it is entitled because a party with which the firm has a bilateral contract defaults on one or more obligations.

Downgraded Risk: Risk that changes in the possibility of a future default by an obligor will adversely affect the present value of the contract with the obligor today.

Settlement Risk: Risk arising from the lag between the value and settlement dates of securities transactions.

Operational Risk: This is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. This includes legal risk, strategic risk and reputational risk. Legal risk includes, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Liquidity Risk: Staco Insurance Plc recognizes the risk of loss due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize.

Our exposure to liquidity risk comprises:

Funding Liquidity Risk: Risk arising from our investment-linked products where there is a financial obligation to customers.

Assets Liquidity Risk: Risk arising from our financial assets where we might not be able to execute transactions at prevailing market price because there is temporarily, no appetite for the deal at the other side of the market.

Business Risk: Business risk relates to the potential erosion of our market position or revenue shortfall compared to the cost base due to strategic and/or reputational reasons.

Reputational Risk: The Company is exposed to this risk through events that damage its image amongst stakeholders at the public which may impair the ability to retain, generate and drive sustainable business. We understand that reputational risk is the biggest risk to our business as it poses a special threat to the confidence of our customers, regulators and industry.

Market Risk Management

The identification, Management and reporting of market risk are aligned towards the sub-risk categories namely:

- Equity price risk
- Foreign exchange risk
- Interest-rate risk
- Property price risk

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Risk Management Framework (Cont'd)

Equity price risk

The group's management of equity price risk is guided by the following;
Investment Quality and Limit Analysis
Stop Loss Limit Analysis
Stock to Total Loss Analysis

Investment quality and limit analysis

Finance and investment Committee established and approves a list of eligible listed and unlisted stocks aligned with investment approval/dealer limits as approved by the Board through its Board Investment Committee. These approval lists are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts.

The approval limits system:

Sets a personal discretionary limit for Chief Executive Officer;
Requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and;
Set out lower limits for Investment officer (IO) and or provides the IO with the authority to assign limits to subordinates

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INVESTMENT RISK

Stock to total limit analysis

Considering the volatility of stocks (typically quoted stocks), the Company monitors the contribution of individual stock to the total stock holding in the portfolio. The objective is to evaluate the company's concentration on individual stock and ultimately exposure to market volatility if the price of any of the stocks should drop.

The risk management function considers all classes of equity (trading, long term and unquoted equities) whilst performing this analysis to closely monitor the company's exposure to market risk from quoted equity and liquidity risk that might arise from unquoted equity.

A summary of the Company's stock to limit position on equities is as follows:

STOCK TO TOTAL LIMIT ANALYSIS ON COMPANY'S INVESTMENT PORTFOLIO				
STOCK MARKET				
SECTOR OF STOCK	2017		2016	
	N'000		N'000	
	MARKET PRICE	%	MARKET PRICE	%
BANKING	644,922,967.63	92.84%	51,181.38	71.97%
BANKING 2	2,150,578.48	0.31%	11,363.07	15.98%
INSURANCE	432,364.50	0.06%	432.36	0.61%
FOOD PRODUCTS	5,564,169.53	0.80%	3,003.63	4.22%
BREWERS /DISTILLERS	1,988,670.00	0.29%	2,045.06	2.88%
OIL & GAS	658,734.65	0.09%	869.87	1.22%
IND GOODS	2,158,336.20	0.31%	507.66	0.71%
MANUFACTURING	36,769,386.12	5.29%	1,711.12	2.41%
TOTAL	694,645,207.11		71,114.16	

Stock loss limit analysis

Market volatility, liquidity and market capitalizations are part of the criteria used to classify eligible stocks. These are categorized into different class A, B, and C. There are stop limits (which depicts the maximum loss the Company is willing to accept) per stock holding. Periodic reviews and reassessment are undertaken on the performance of the stocks. The stop limits on categories of stocks as approved by Management Finance and Investment Committee are depicted below:

CLASS	STOP LOSS LIMIT	CHARACTERISTICS
A	-22%	Very liquid, high market capitalisation, low market volatility
B	-20%	Very liquid, low market capitalisation, low market volatility
C	-18%	Very liquid, low market capitalisation, high market volatility

STOP LOSS LIMIT ANALYSIS ON COMPANY'S INVESTMENT PORTFOLIO

SECTOR OF STOCK	COST PRICE	MARKET PRICE	STOCK CLASS	%GAIN/LOSS	BENCH MARK
BANKING	105.57	256.12	A	142.61%	-22%
BANKING	3.80	11.84	A	211.58%	-22%
INSURANCE	0.50	0.50	C	0.00%	-18%
CONSUMER GOODS	897.95	1,600.66	B	78.26%	-20%
FOOD AND BEVERAGES	256.40	228.90	B	-10.73%	-20%
OIL & GAS	190.64	228.59	A	19.91%	-22%
IND GOODS	35.00	61.60	B	76.00%	-20%
MANUFACTURING	68.95	47.42	B	-31.23%	-20%
	1,558.81	2,435.63			

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Foreign Exchange Risk

STACO Insurance Plc. is exposed to;

1. The risk of an investment's value changing due to changes in currency exchange rates.
2. The risk that an investor will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates. Also known as "currency risk" or "exchange-rate risk".

The Company is exposed to foreign currency denominated in dollars through investment in unquoted equity and money market dollar denominated fixed deposits and bank balances in other foreign currencies.

The carrying amounts of the foreign currency - denominated assets as at the end of the year are as follows:

	Cash and Cash Equivalents N'000	Available for Sale N'000	Total N'000
Dollars	279,290		279,290
Euro	16,420	-	16,420
Pounds	4,968	-	4,968
	<u>300,678</u>	-	<u>300,678</u>

The Company further manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value foreign exchange positions and impact of such changes on Company's investment income. At the year end the foreign currency holdings held in the portfolio were on Equity and cash and Cash equivalents.

The following table details the effect on the profit as at 31st, December 2017 from a N305.5/\$ closing rate favorable change in US dollars against the Naira with all other variables held constant.

	Increase by 30% N'000	Increase by 60% N'000	Decrease by 30% N'000	Decrease by 60% N'000
Financial Assets				
Cash and Cash Equivalent	83,787	167,574	(83,787)	(167,574)
Available for Sale	-	-	-	-
Impact on Financial Assets before	83,787	167,574	(83,787)	(167,574)
Impact on Financial Assets after tax	<u>58,651</u>	<u>117,302</u>	<u>(58,651)</u>	<u>(117,302)</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

The following tables details the effect on the profit as at 31st, December 2017 from a N366.264/€ closing rate favourable change in Euro against the naira with all other variables held constant.

	Increase by 30%	Increase by 60%	Decrease by 30%	Decrease by 60%
Financial Assets	N'000	N'000	N'000	N'000
Cash and Cash Equivalent	4,926	9,852	(4,926)	(9,852)
Available for Sale	-	-	-	-
Impact on Financial Assets before tax	4,926	9,852	(4,926)	(9,852)
Impact on Financial Assets after tax	3,448	6,896	(3,448)	(6,896)

The following tables details the effect on the profit as at 31st, December 2017 from a N412.9749/£ closing rate favourable change in Pounds against the naira with all other variables held constant.

	Increase by 30%	Increase by 60%	Decrease by 30%	Decrease by 60%
Financial Assets	N'000	N'000	N'000	N'000
Cash and Cash Equivalent	1,490	2,981	(1,490)	(2,981)
Available for Sale	-	-	-	-
Impact on Financial Assets before tax	1,490	2,981	(1,490)	(2,981)
Impact on Financial Assets after tax	1,043	2,087	(1,043)	(2,087)

The method used to arrive at the possible risk of foreign exchange rate was based on both statistical and non Statistical analyses. The statistical analysis was based on movement in main currencies for the last five years.

This information was then revised and adjusted for reasonableness under the current economic circumstances.

STACO INSURANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

Interest rate risk

STACO Insurance Plc is moderately exposed;

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations).

Interest rate risk is managed principally through monitoring interest rate gaps and sensitivity analysis across all investment portfolios. The Company's major exposure to interest rate sensitive liabilities arises from investment-linked products which accounts for substantial portion of the business. The fluctuations in interest rates cannot significantly impact our balance sheet as interest - rate small compared with the interest - rate sensitive assets.

The table below details the interest rate sensitivity analysis of STACO Insurance Plc as at 31st, December 2017, holding all other variable constant. Based on historical data, 200 and 500 basis point changes are deemed to be reasonably possible and are used when reporting interest rate risk.

	0-6months N'000	Maturity Profile 6-12months N'000	Above 12months N'000	Carrying Amount N'000
As at 31 December 2017				
Interest earning assets				
Cash and cash equivalent	976,660	-	-	976,660
Financial Assets	19,644	225,323	347,107	592,074
Total Interest earning assets	996,304	225,323	347,107	1,568,734
Interest bearing Liabilities				
Bank Borrowings	-	-	-	-
Other liabilities	-	-	4,444,846	4,444,846
Total Interest bearing Liabilities	-	-	4,444,846	4,444,846
Gap (Asset - Liabilities)	996,304	225,323	(4,097,739)	(2,876,112)
Cummulative Gap	996,304	1,221,627	(2,876,112)	
Increase by 100bp	83,025	18,777	(341,478)	
Increase by 500bp	415,127	93,885	(1,707,391)	
Decrease by 100bp	(83,025)	(18,777)	341,478	
Decrease by 500bp	(415,127)	(93,885)	1,707,391	
	0-6months N'000	Maturity Profile 6-12months N'000	above 12mths N'000	Carrying Amount N'000
As at 31 December 2016				
Interest earning assets				
Cash and cash equivalent	2,486,662	-	-	2,486,662
Financial Assets	228,146	61,708	13,223	303,077
Total Interest earning assets	2,714,808	61,708	13,223	2,789,739
Interest bearing Liabilities				
Bank Borrowings	-	-	-	-
Other liabilities	-	-	3,039,773	3,039,773
Total Interest bearing Liabilities	-	-	3,039,773	3,039,773
Gap (Asset - Liabilities)	2,714,808	61,708	(3,026,550)	250,034
Cummulative Gap	2,714,808	2,914,210	(112,340)	
Increase by 100bp	226,233	5,142	(252,212)	
Increase by 500bp	1,131,169	25,712	(1,261,062)	
Decrease by 100bp	(226,233)	(5,142)	252,212	
Decrease by 500bp	(1,131,169)	(25,712)	1,261,062	

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

Liquidity Risk Management

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group mitigates this risk by monitoring cash activities and expected outflows. The Group's current liabilities arise as claims are made. The Group has no material commitments for capital expenditure and there is no need for capital expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Group has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due at a reasonable cost.

The limits are monitored and reported on a periodic basis to ensure that exposure of the Group's investment portfolio to this risk is properly managed.

Below is summary of the contractual reprising or maturity dates (whichever is earlier) of financial assets matched with financial liabilities.

As at 31 December 2017

	Carrying Amount N'000	Maturity Profile		
		0-6months N'000	6-12months N'000	Above 12months N'000
Financial assets				
Cash and cash equivalent	976,660	976,660	-	-
Trade receivables	60,137	36,000	5,807	18,330
Reinsurance assets	1,060,294	583,161	413,515	63,618
Loan and receivables	115,437	7,890	31,398	76,149
Investment Securities				
Held to Maturity	211,748	82,272	123,407	6,069
Available for sale	264,889	-	-	264,889
Total Assets	2,689,165	1,685,983	574,127	429,055
Financial liabilities				
Trade and other payables	125,646	87,653	37,993	-
Insurance contract liabilities	3,299,495	2,573,606	626,904	98,985
Financial liabilities	4,444,846	-	-	4,444,846
Other liabilities	98,050	-	-	98,050
Total Liabilities	7,968,037	2,661,259	664,897	4,641,881
Gap (Assets - Liabilities)	(5,278,872)	(975,276)	(90,770)	(4,212,826)
Cumulative financial assets over financial liabilities	(5,278,872)	(975,276)	(90,770)	(4,212,826)
Financial Asset to financial liabilities	0.34	0.63	0.86	0.09

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

As at 31 December 2016

	Carrying Amount N'000	Maturity Profile		
		0-6months N'000	6-12months N'000	Above 12months N'000
Financial assets				
Cash and cash equivalent	1,656,736	1,656,736	-	-
Trade and other receivables	83,339	61,319	7,349	14,671
Reinsurance assets	1,140,115	638,400	214,314	287,401
Loan & receivables	133,162	-	39,288	93,874
Investment Securities				
Held to Maturity	7,573	-	-	7,573
Financial assets - Available for sale	162,342	-	-	162,342
Total Assets	3,183,267	2,356,455	260,951	565,861
Financial liabilities				
Trade and other payables	72,726	5,046	67,680	-
Insurance contract liabilities	3,155,996	2,471,303	593,789	90,904
Financial liabilities	3,039,773	-	-	3,039,773
Other liabilities	98,050	-	-	98,050
Total Liabilities	6,366,545	2,476,349	661,469	3,228,727
Gap (Assets - Liabilities)	(3,183,278)	- 119,894	(400,518)	(2,662,866)
Cumulative financial assets over financial liabilities	(3,183,278)	(119,894)	(400,518)	(2,662,866)
Financial Asset to financial liabilities	0.50	0.95	0.39	0.18

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management Framework (Cont'd)

Underwriting Risk Management

The Group faces underwriting risk through its core business when actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, actual benefits paid and subsequent development of long-term.

Staco Insurance Plc manages its underwriting risk by diversification across large portfolio of Insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The company purchases reinsurance as part of its risk mitigation program and establishes retention limits for reinsurance across product lines.

The Group's internal processes and policies also ensure that amounts recoverable from reinsurance estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts. In addition, the group recognises that its reinsurance program with respect to ceded reinsurance is exposed to credit risk, to the extent that any reinsurer is unable to meet its obligation assumed under such reinsurance agreements thus it is not relieved of its direct obligations to its policyholders.

The Group also recognises that a concentration of risk may arise from insurance contracts issued in a specific geographical location since most of the insurance contracts are written in Nigeria and constantly conducts concentration risk analysis to evaluate and manage its exposure to risk.

The Group holistically manages the risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria.

Pricing experience amongst others in an attempt to correctly match policy revenue with exposed risk.

Business Risk

Business risk is managed by management underwriting and investment committee through consistent monitoring of product lines' profitability. Stakeholder engagement to ensure positive outcomes from external factors beyond the Group's control and prompt response to changes in external environment.

Reputational Risk

Staco Insurance Plc's norms and values set a tone for acceptance behaviours required for all staff members, and provide structure and guidance for non-quantifiable decision making, thereby assisting in the management of the group's reputation.

The Group identifies, assesses and manages reputational risks predominantly within its business processes. Management of reputational risk is based on the group risk governance framework. In addition, company-wide risks are identified and assessed qualitatively as part of the annual risk and control self assessment. The Group's functions analyse the overall risk profile and regularly inform management about the current profile and potential exposure to risk. Risk functions presentation of potential reputational risk guides management decisions in executing business operations and strategies.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

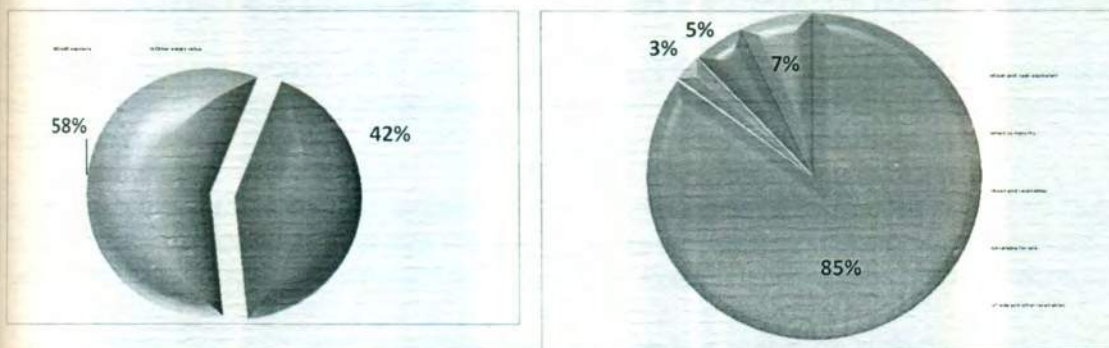
Credit risk management

Credit risk arises from the failure of an obligor of the Company to repay amount due at the stipulated time or failure to perform as agreed. STACO Insurance Plc is exposed to risk relating to its debt holdings in its investment portfolio, outstanding premium from customers and the reliance on reinsurers to make payment when certain loss conditions are met.

Investment Portfolio

The Company's investment policy puts limits on the Fixed Income and Money Market instruments including portfolio composition limits, issuer type limits, aggregate issuer limits and corporate sector limits

The Company's investment portfolio is exposed to credit risk through its Fixed Income and Money Market instruments. The contribution of the fixed income and money market instruments to the Group's investment is as follows:



The company further manages its exposure to credit risk through counterparty using established limits as approved by the Board. These limits are determined based on credit ratings of the counterparty amongst other factors. All fixed income investments are investments measured for performance on a quarterly basis and monitored by the management on a monthly basis.

Reinsurance is placed with only reinsurers with a minimum credit rating of BB . Management monitor the creditworthiness of all reinsurers by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

An analysis of the Company's exposure per reinsurers' credit ratings as at 31 December, 2016 is as follows:

Maximum exposure to credit

	2017	2016
	N'000	N'000
Cash and cash equivalent	976,660	2,486,662
Held to maturity	211,748	7,573
Loan and receivables	115,437	270,856
Available for sale	264,889	162,342
Trade and other receivables	1,511,501	297,528
Reinsurance assets	1,060,294	1,140,115
Credit exposure	4,140,529	4,365,076
Other assets value	5,548,648	5,785,249
Total	9,689,177	10,150,325

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

Besides credit risk exposure from our investment policies, the company is also exposed to this risk from its core business operation- outstanding premiums from clients. Account receivables are short-term in nature consisting of a large number of policyholders and are subject to moderate credit risk. The company categorised its exposure to this risk based on business types (direct and brokered business) and periodically reviews outstanding receivable to ensure credit risk exposure to direct business is low and the company requires debtors to provide guarantees (collateral) before inception of insurance policies.

Impairment of receivables

Impairment of assets is to ensure that assets are carried at no more than their recoverable amount.

If an asset's carrying amount value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and the standard requires a company to make provision for the impairment loss.

In conformity with NAICOM requirements on the new IFRS accounting standard, IAS 39 requires that impairment be calculated only where there is objective evidence that losses have been incurred and explicitly states that futures losses (from future trigger events) must not be taken into account.

The framework also mandated that impairment may be identifiable on a portfolio basis – for a large population of receivables, some degree of non – payment is normally regarded as probable.

Estimation of future cash flow may change because of economic factors affecting a group of receivables, such as country and industry factors, even if there is no objective evidence of impairment of an individual receivable.

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Assumptions

Estimated Future cash Flow is defined as follow:

Outstanding period less than 90days: 100% of the contractual amount is the estimated future cash flow.

Outstanding receivable for a period of between 90 – 180days: 50% of the outstanding balance.

Outstanding receivable above 180days: Zero is the estimated future cash flow.
Valuation period is one (1) year.

The carrying values exclude all negative outstanding balances.

Discount rate is equivalent to the 2014 CBN Monetary Policy Rate at 12%.

Impairment reflects incurred losses. The method employs Incurred Loss model as required by IFRS.

The outcome of the impairment valuation of the Company' premium receivable as at 31 December, 2017 is summarised as below;

	N'000
Asset carrying Amount as at year end 2017	1,660,328
Total Present Value of Estimated Future cash flows	60,137
Impairment Loss	<u><u>1,600,191</u></u>

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Insurance risk

The risk in any insurance contract is the possibility that the insured event occurs which could result in a claim. The risk is very random and unpredictable.

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payment exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from the level established using statistical techniques.

The Group 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.

Insurance risk is increased by the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Management assesses risk concentration per class of business. The concentration of insurance risk before and after reinsurance by class in relation to the type of insurance risk accepted is summarized below with reference to the carrying amount of the insurance liabilities (gross and net reinsurance).

As at 31 December 2017

Products	Gross sum insured N'000	Treaty sum insured N'000	Net sum insured N'000
Fire	614,157,459	378,896,005	235,261,454
Engineering	90,804,521	38,227,172	52,577,349
Marine Cargo	92,974,834	59,104,297	33,870,537
Marine Hull	34,191,227	19,840,095	14,351,132
Bond	2,193,907	1,096,953	1,096,954
	834,321,948	497,164,522	337,157,426

The Gross sum-insured relates to treaty portfolio only.

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Claims management risk

As at 31, December 2017

Class of business	Outstanding claim reserve N'000	outstanding Reported claims reserves N'000	Incurred but not reported N'000
Accident	327,921	197,737	130,184
Engineering	38,678	17,098	21,580
Fire	836,703	756,660	80,043
Marine	155,178	77,487	77,691
Motor	326,075	244,968	81,107
Bond	41,279	32,670	8,609
Aviation	327	-	327
Oil & Gas	101,949	23,840	78,109
Total	1,828,110	1,350,460	477,650

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

Reserving risk

The reserving method adopted by the company ensures it meets with the liability adequacy test and also incorporates the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the basic Chain ladder and the Loss Ratio methods adjusted for assumed experience to date. However, where the claim development seems slower than in the past, a Bornheuter-Ferguson Method was used based on a combination of expected loss ratio and loss ratio experience to date.

Claims data was grouped into triangles by accident year or quarter and payment year. The choice between quarters or years was based on the volume of data in each segment. The claims paid data was sub-divided into large and attritional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claims data, large and attritional claims were projected together as removing large claims would reduce the volume odd data in the triangles and compromise the credibility.

Development factors were calculated using the last 5 years of data by accident year. Ultimate development factors are calculated for each of the permutations and the most prudent result is selected. Ultimate development factors are applied to the paid data per accident year or quarter and an ultimate claim amount is calculated. The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development pattern calculated below. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year.

Our estimated reserves are derived statistically through analysing our data base of policies underwritten and the emerging claims over each of the past five (10) underwriting years. Based on the Company's 2017 Actual valuation report, the Group has adopted N3.30 billion, which is made up of N1.83billion for Gross claim reserve and N1.47billion for Gross Unearned Premium Reserve(UPR) using the Discounted Inflation Adjusted Basic Chain Ladder Method which has allowed for inflation factors over the years.

Claims Development Pattern: Motor

Accident year	Incremental Chain Ladder- Yearly Projections (N'000)										
	1	2	3	4	5	6	7	8	9	10	11
2007	154,124	36,317	23,150	8,604	2,000	-	-	-	-	-	-
2008	276,599	65,176	20,558	10,596	11,357	3,637	320	-	-	-	-
2009	291,090	57,120	23,596	27,396	-	-	-	-	-	-	-
2010	285,753	62,792	46,644	427	960	1,046	-	2,207	-	-	-
2011	285,725	92,786	11,623	24,052	21,694	13,124	9,762	-	-	-	-
2012	414,913	146,293	31,462	2,464	728	974	-	-	-	-	-
2013	261,246	196,404	13,978	6,222	340	-	-	-	-	-	-
2014	295,761	156,391	27,618	4,747	-	-	-	-	-	-	-
2015	339,630	141,681	6,928	-	-	-	-	-	-	-	-
2016	325,024	139,444	-	-	-	-	-	-	-	-	-
2017	265,618	-	-	-	-	-	-	-	-	-	-

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

RISK MANAGEMENT FRAMEWORK (CON'TD)

Claims Development Pattern: General Accident

Incremental Chain Ladder- Yearly Projections (N'000)											
Accident year	1	2	3	4	5	6	7	8	9	10	11
2007	96,763	99,433	19,720	8,601	1,000	-	2,170	-	376	-	-
2008	101,116	88,698	20,006	8,382	3,975	1,156	208	1,509	-	-	-
2009	106,252	75,939	19,033	13,016	12,559	4,279	1,358	2,171	-	-	-
2010	125,025	78,557	21,268	17,125	12,249	3,409	605	-	-	-	-
2011	130,650	104,307	33,627	31,729	10,914	10,535	6,037	-	-	-	-
2012	141,018	184,363	59,019	14,088	3,517	2,039	-	-	-	-	-
2013	192,913	143,614	31,389	11,740	5,319	-	-	-	-	-	-
2014	96,707	100,368	24,530	7,729	-	-	-	-	-	-	-
2015	68,492	105,676	19,058	-	-	-	-	-	-	-	-
2016	66,711	78,740	-	-	-	-	-	-	-	-	-
2017	95,677	-	-	-	-	-	-	-	-	-	-

Claims Development Pattern: Fire

	Incremental Chain Ladder- Yearly Projections (N'000)										
Accident year	1	2	3	4	5	6	7	8	9	10	11
2007	120,977	78,357	37,473	868	550	-	-	36	-	-	-
2008	197,412	74,057	41,363	1,147	727	26	1,522	15	-	-	-
2009	157,693	85,777	40,769	4,042	3,206	308		99	-	-	-
2010	186,866	83,492	75,272	8,290	1,122	1,962	-	-	-	-	-
2011	173,437	104,157	38,862	37,808	24,929	28,218	13,121	-	-	-	-
2012	227,013	156,006	74,795	15,254	466	36	-	-	-	-	-
2013	151,654	135,460	31,369	6,061	983	-	-	-	-	-	-
2014	105,188	162,286	19,478	6,820	-	-	-	-	-	-	-
2015	129,112	114,748	36,304	-	-	-	-	-	-	-	-
2016	224,858	227,432	-	-	-	-	-	-	-	-	-
2017	209,570	-	-	-	-	-	-	-	-	-	-

Claims Development Pattern: Marine

Claims Development Pattern Analysis											
	Incremental Chain Ladder- Yearly Projections (N'000)										
Accident year	1	2	3	4	5	6	7	8	9	10	11
2007	17,593	4,935	3,701	230	128	-	-	-	-	-	-
2008	23,924	11,557	8,087	382	213	96		-	-	-	-
2009	26,059	21,706	9,706	504	-	-	-	-	-	-	-
2010	30,343	17,152	9,651	2,877	-	-	29	-	-	-	-
2011	41,263	23,324	8,957	20,488	27,068	7,785	9,966	-	-	-	-
2012	51,304	81,263	9,827	273	-	-	-	-	-	-	-
2013	23,645	55,981	9,278	2,059	849	-	-	-	-	-	-
2014	45,717	40,567	7,976	3,011	-	-	-	-	-	-	-
2015	35,538	51,085	13,195	-	-	-	-	-	-	-	-
2016	44,670	41,289	-	-	-	-	-	-	-	-	-
2017	44,430	-	-	-	-	-	-	-	-	-	-

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Capital management

The Group's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory and to best utilize capital allocations.

Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model, NAICOM generally expects non-life insurer 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 (3 billion) whichever is higher.

The test compares insurers' capital against the risk profile. The regulator indicated that the insurer should produce a minimum solvency margin of 100%. During the year, the Group consistently operated below the minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Group's operations as deemed necessary if the Group falls below this requirement.

The solvency margin for the Company as at 31 December 2017 is as follows:

Assets	Admissible N'000	Inadmissible N'000	Total N'000
Cash and cash equivalents	976,660	-	976,660
Financial assets	392,074	-	392,074
Insurance receivables	60,137	-	60,137
Reinsurance assets	1,060,294	-	1,060,294
Other receivables	-	203,979	203,979
Deferred acquisition cost	161,135	-	161,135
Investment in subsidiary	-	327,936	327,936
Investment properties and land	1,520,000	-	1,520,000
Leased assets	212,847	-	212,847
Property and equipment	2,970,730	-	2,970,730
Statutory deposit	300,000	-	300,000
Intangible assets	-	56,000	56,000
Total assets	7,653,877	587,915	8,241,792
Liabilities			
Investment contract liabilities	-	-	-
Insurance contract liabilities	3,299,495	-	3,299,495
Financial liabilities	4,444,846	-	4,444,846
Trade payables	87,653	-	87,653
Other payables	37,993	-	37,993
Deferred tax liabilities	-	98,050	98,050
Current income tax liabilities	15,506	-	15,506
Total liabilities	7,885,493	98,050	7,983,543
Solvency margin	(231,616)		
Minimum required	3,000,000		

Note: The title documents of all the landed properties are in the name the company

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

RISK MANAGEMENT FRAMEWORK (CON'TD)

Capital management

The Company further developed an internal capital adequacy model that assesses the risk of assets, policy liabilities and other exposures by applying various factors.

As at year end, the Company showed a negative solvency margin of **N3,231,616,000.00** indicating a solvency ratio of - 108%.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

6 Financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

Group	Notes	Held-to-maturity N'000	Loans and Receivables N'000	Available- for-sale N'000	Other financial liabilities at Amortised cost N'000	Total carrying amount N'000	Fair value amount N'000
In thousands of Naira							
31 December 2017							
Cash and cash equivalents	8	1,360,873	-	-	-	1,360,873	1,360,873
Financial assets	9	629,632	118,141	293,383	-	1,041,156	1,041,156
Trade receivables	10	-	347,200	-	-	347,200	347,200
Reinsurance assets		-	1,060,294	-	-	1,060,294	1,060,294
Other receivables excluding prepayments	12	-	196,666	-	-	196,666	196,666
		<u>1,990,505</u>	<u>1,722,301</u>	<u>293,383</u>	<u>-</u>	<u>4,006,189</u>	<u>4,006,189</u>
Insurance contract liabilities	21	-	-	-	3,701,877	3,701,877	3,701,877
Trade payables	23	-	-	-	104,773	104,773	104,773
Other payables	24	-	-	-	117,840	117,840	117,840
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,924,490</u>	<u>3,924,490</u>	<u>3,924,490</u>
Group							
In thousands of Naira							
31 December 2016							
Cash and cash equivalents	8	1,920,323	-	-	-	1,920,323	1,920,323
Financial assets	9	422,149	135,907	174,857	-	732,913	732,913
Trade receivables	10	-	224,920	-	-	224,920	224,920
Reinsurance assets		-	1,140,115	-	-	1,140,115	1,140,115
Other receivables excluding prepayments	12	-	97,630	-	-	97,630	97,630
		<u>2,342,472</u>	<u>1,598,572</u>	<u>174,857</u>	<u>-</u>	<u>4,115,901</u>	<u>4,115,901</u>
Insurance contract liabilities	21	-	-	-	3,562,625	3,562,625	3,562,625
Trade payables	23	-	-	-	13,753	13,753	13,753
Other payables	24	-	-	-	92,813	92,813	92,813
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,669,191</u>	<u>3,669,191</u>	<u>3,669,191</u>

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash using appropriate financial markets pricing models. Wherever possible, these models use as their basis observable market prices and rates including, for example, interest rates yield curves, equities and prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7 Segment information - Company

Segment Information

Following the management approach of IFRS 8, the company is organised into eight operating segments. These segments distribute their products through various forms of brokers, agencies, and direct marketing programs. Management identifies its reportable segments by product line. These segments and their respective operations for the year ended 31 December, 2017 are as follows:

Fire
General accident
Motor vehicle
Oil and gas
Marine and aviation

	Fire	General Accident	Motor Vehicle	Oil and Gas	Marine	Aviation	Bond	Engineering	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross premium written	1,390,555	693,724	1,505,376	808,602	603,942	27,113	41,037	154,413	5,224,762
Gross premium income	1,388,797	718,287	1,596,037	828,412	598,473	32,135	22,395	147,889	5,332,425
Re-insurance expenses	(595,568)	(71,435)	(151,606)	(369,671)	(152,865)	(13,805)	(8,203)	(94,355)	(1,457,508)
Net premium income	793,229	646,852	1,444,431	458,741	445,608	18,330	14,192	53,534	3,874,917
Fee Income and commission	137,809	9,046	7,036	10,037	48,591	3,044	2,184	25,380	243,127
Investment returns	-	-	-	-	-	-	-	-	-
Net underwriting income	931,038	655,898	1,451,467	468,778	494,200	21,375	16,376	78,913	4,118,044
Claim expenses(Gross)	(687,451)	(211,862)	(427,737)	(300,781)	(609,029)	(1,202)	(21,427)	(73,227)	(2,332,716)
Insurance claims recovered from reinsurers	(32,219)	(52,593)	(14,605)	106,282	29,710	4,347	161,546	15,227	217,696
Net insurance benefits and claims	(719,670)	(264,455)	(442,342)	(194,499)	(579,319)	3,145	140,119	(58,000)	(2,115,020)
Underwriting expenses	(251,243)	(124,786)	(200,889)	(79,742)	(184,902)	(2,522)	(5,251)	(27,565)	(876,900)
Total expenses	(970,913)	(389,241)	(643,230)	(274,241)	(764,221)	624	134,868	(85,565)	(2,991,920)
Reportable segment profit	(39,875)	266,657	808,236	194,537	(270,021)	21,998	151,244	(6,652)	1,126,124

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Segment information (cont'd) - Company

The segment information provided by Management for the reporting segments for the year ended 31 December 2016

	Fire N'000	General Accident N'000	Motor Vehicle N'000	Oil and Gas N'000	Marine N'000	Aviation N'000	Bond N'000	Engineering N'000	Total N'000
Gross premium written	1,229,300	701,166	1,655,576	527,834	512,693	11,548	24,065	132,228	4,794,411
Gross premium income	1,216,286	665,997	1,639,276	473,278	492,976	6,089	38,823	132,228	4,664,953
Re-insurance expenses	(823,544)	(92,764)	(88,900)	(271,141)	(228,415)	(46)	(8,999)	(39,377)	(1,553,185)
Net premium income	392,742	573,233	1,550,376	202,137	264,561	6,043	29,824	92,851	3,111,769
Fee Income and commission	140,183	7,244	36	987	36,056	-	1,833	7,275	193,614
Investment returns	-	-	-	-	-	-	-	-	-
Net underwriting income	532,925	580,477	1,550,412	203,124	300,617	6,043	31,657	100,126	3,305,384
Claim expenses(Gross)	(667,118)	(269,316)	(504,144)	(72,512)	(342,233)	-	(85,737)	(49,713)	(1,990,773)
Insurance claims recovered from reinsurers	527,358	86,487	48,946	24,850	268,476	9,946	10,439	19,891	996,393
Net insurance benefits and claims	(139,760)	(182,829)	(455,198)	(47,662)	(73,757)	9,946	(75,298)	(29,822)	(994,380)
Underwriting expenses	(279,265)	(153,966)	(292,797)	(29,932)	(106,576)	(32,063)	(6,644)	(43,696)	(944,939)
Total expenses	(419,025)	(336,795)	(747,995)	(77,594)	(180,333)	(22,117)	(81,942)	(73,518)	(1,939,319)
Reportable segment profit	113,900	243,682	802,419	125,531	120,284	(16,074)	(50,284)	26,608	1,366,064

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
8 Cash and cash equivalents				
Cash in hand	430	357	332	215
Due from banks and other financial institutions (note 8.1)	1,360,443	1,919,966	976,328	1,656,521
	<u>1,360,873</u>	<u>1,920,323</u>	<u>976,660</u>	<u>1,656,736</u>
8.1 Due from banks and other financial institutions				
Balances held with banks	400,805	623,344	16,690	359,899
Short term deposits with banks	959,638	1,296,622	959,638	1,296,622
	<u>1,360,443</u>	<u>1,919,966</u>	<u>976,328</u>	<u>1,656,521</u>

Short-term deposits are made for varying period of one day and three months depending on the immediate cash requirement of the group.

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and cash in banks as well as short term deposits with an original maturity of three months or less. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as in Note 8 above.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
9 Financial assets				
The group financial assets are summarised below by measurement category :				
Held to maturity (Note 9.1)	429,634	422,149	11,748	7,573
Loans and receivables (Note 9.2)	118,140	135,907	115,437	133,162
Available for sale financial asset (Note 9.3)	293,383	174,857	264,889	162,342
	841,157	732,913	392,074	303,077
9.1 Held to maturity				
Government securities	342,050	422,149	6,069	7,573
Treasury bills	87,584	-	5,679	-
	429,634	422,149	11,748	7,573
Due within 12 months	87,584	-	5,679	-
Due after 12 months	342,050	422,149	6,069	7,573
	429,634	422,149	11,748	7,573
There are no impaired held to maturity investments at 31 December 2017 (2016: Nil)				
9.2 Loan and receivables				
Staff loan (Note 9.2a)	118,140	135,907	115,437	133,162
Due within 12 months	41,992	40,772	40,256	39,288
Due after 12 months	76,148	95,135	75,181	93,874
	118,140	135,907	115,437	133,162
9.2a Staff loan	120,788	137,167	118,085	134,422
Allowance for impairment (Note 9.2b)	(2,648)	(1,260)	(2,648)	(1,260)
	118,140	135,907	115,437	133,162

For loans and receivables exceeding 12 months, the estimated fair values of the loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted factor at current market rates to determine fair value. For loans and receivables with maturity period of below 12 months, no discounting was applied.

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9.2b Movement on the provision for impaired loans and receivables are as follows :

Group

	Staff loan N'000
At beginning of year	1,260
Provision for impairment	1,388
Provision no longer required	-
Amount written off during the year as uncollectible	-
	<u>2,648</u>

Company

	Staff loan N'000
At beginning of year	1,260
Provision for impairment	1,388
Provision no longer required	-
Amount written off during the year as uncollectible	-
	<u>2,648</u>

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
9.3 Available for sale investment				
Listed equities	196,793	83,629	168,298	71,114
Unlisted equities	96,590	91,228	96,591	91,228
	<u>293,383</u>	<u>174,857</u>	<u>264,889</u>	<u>162,342</u>
Due within 12 months	-	-	-	-
Due after 12 months	293,383	174,857	264,889	162,342
	<u>293,383</u>	<u>174,857</u>	<u>264,889</u>	<u>162,342</u>

The Group investment in unquoted equity financial instrument could not be fair valued as there were no observable data for which the entity could be fair valued. The carrying amount was therefore based on cost less impairment.

The quoted equity financial instrument are measured at market value. The cumulative gains or losses are recognised in other comprehensive income.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9.4 The movement in financial assets may be summarised as follows:

Group	Held to maturity N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
At beginning of year	422,149	137,167	174,857	734,173
Additions	8,310	108,873	16,079	133,262
Disposals (sale and redemption)	(825)	(125,252)	-	(126,077)
Fair value gains/losses	-	-	102,447	102,447
Impairment losses	-	(2,648)	-	(2,648)
At end of year	<u>429,634</u>	<u>118,140</u>	<u>293,383</u>	<u>841,157</u>

Company	Held to maturity N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
At beginning of year	7,573	134,422	162,342	304,337
Additions	5,679	4,488	100	10,267
Disposals(sale and redemption)	(1,504)	(20,825)	-	(22,329)
Fair value gains/losses	-	-	102,447	102,447
Impairment losses	-	(2,648)	-	(2,648)
At end of year	<u>11,748</u>	<u>115,437</u>	<u>264,889</u>	<u>392,074</u>

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
10 Trade receivables				
Due from agents	-	-	-	-
Due from brokers	2,108,953	1,934,123	1,660,328	1,683,530
Due from others	-	-	-	-
	<u>2,108,953</u>	<u>1,934,123</u>	<u>1,660,328</u>	<u>1,683,530</u>
Allowance for impairment (Note 10.2)	<u>(1,761,753)</u>	<u>(1,709,203)</u>	<u>(1,600,191)</u>	<u>(1,600,191)</u>
	<u>347,200</u>	<u>224,920</u>	<u>60,137</u>	<u>83,339</u>
Due within 12 months	347,200	224,920	60,137	83,339
Due after 12 months	-	-	-	-
	<u>347,200</u>	<u>224,920</u>	<u>60,137</u>	<u>83,339</u>
10.1 Age analysis of trade receivables				
0-30 days	347,200	224,920	60,137	83,339
31-90 days	-	-	-	-
91-180 days	-	-	-	-
over 180 days	-	-	-	-
	<u>347,200</u>	<u>224,920</u>	<u>60,137</u>	<u>83,339</u>

ATACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10.2 Movement on the allowance for impairment of receivables arising out of direct insurance arrangements are as follows:

	Group N'000	Company N'000
At beginning of year	1,709,203	1,600,191
Provision for impairment	52,550	-
Provision no longer required	-	-
Amount written off during the year as uncollectible	-	-
At end of year	<u>1,761,753</u>	<u>1,600,191</u>

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Reinsurance assets				
Prepaid reinsurance (Note 11.1)	263,355	414,250	263,355	414,250
Prepaid minimum and deposit reinsurance	24,000	33,275	24,000	33,275
Reinsurance recoverable (Note 11.2)	772,939	692,590	772,939	692,590
Reinsurance projection on IBNR	-	-	-	-
	<u>1,060,294</u>	<u>1,140,115</u>	<u>1,060,294</u>	<u>1,140,115</u>
Due within 12 months	772,893	852,714	772,893	852,714
Due after 12 months	287,401	287,401	287,401	287,401
	<u>1,060,294</u>	<u>1,140,115</u>	<u>1,060,294</u>	<u>1,140,115</u>

Prepaid minimum and deposit reinsurance represents premium deposits with reinsurance companies

11.1 Movement in prepaid reinsurance

At beginning of year	414,250	537,362	414,250	526,129
Additions during the year	1,306,613	1,441,306	1,306,613	1,441,306
Amortisation during the year	(1,457,508)	(1,564,418)	(1,457,508)	(1,553,185)
At end of year	<u>263,355</u>	<u>414,250</u>	<u>263,355</u>	<u>414,250</u>

There were no indicators of impairment for re-insurance assets. Therefore, no impairment allowance is required in respect of these assets. The carrying amounts disclosed above is in respect of the reinsurance contracts which approximate the fair value at the reporting date.

11.2 Movement in reinsurance recoverable

At beginning of year	692,590	609,551	692,590	601,985
Movement during the year	80,349	83,039	80,349	90,605
At end of year	<u>772,939</u>	<u>692,590</u>	<u>772,939</u>	<u>692,590</u>

ITACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
12 Other receivables and prepayments				
Accrued income (Note 12.1)	19,478	97,630	19,478	88,469
Prepayment (Note 12.2)	121,042	134,415	111,430	125,720
Other receivables (Note 12.3)	177,188	537,694	73,071	537,694
	317,708	769,739	203,979	751,883
Due within 12 months	317,708	769,739	203,979	751,883
Due after 12 months	-	-	-	-
	317,708	769,739	203,979	751,883
12.1 Accrued income relates to interest due and accrued on fund placements with financial institutions.				
	19,478	97,630	19,478	88,469
12.2 Prepayments includes:				
Prepaid rent	36,095	25,491	26,482	25,491
Prepaid insurance expenses	21,635	33,854	21,635	25,159
Deposit for tracking device	63,312	75,070	63,313	75,070
	121,042	134,415	111,430	125,720
12.3 Other receivables				
Stock- consumables	-	33,271	-	33,271
Deposit for assets	-	77,675	-	77,675
SIC Property and Investments Company Ltd (Note 12.3.1)	1,293,022	-	1,293,022	-
Ventry Development Limited (Note 12.3.2)	-	400,000	-	400,000
Growth & Development Asset Management Ltd (Note 12.3.3)	-	330,000	-	330,000
Other sundry debtors	1,112,332	220,507	1,008,215	220,507
	2,405,354	1,061,453	2,301,237	1,061,453
Allowance for impairment	(2,228,166)	(523,759)	(2,228,166)	(523,759)
	177,188	537,694	73,071	537,694
Other sundry debtors balance of N22.210 million (2016: N26.748 million) represent advances to various third parties less recoveries and impairment.				

12.3.1 SIC Property and Investment Company Limited

An amount of N793,022,000 originally written off was introduced as a result of confirmation of indebtedness by the debtor. Even though the total amount of N1,293,022,000 has been fully written off, the debtor has agreed to contribute this amount to the development of a jointly owned property situate at No. 19 Glover Road, ikoyi Lagos within a time frame of three years.

12.3.2 Ventry Development Limited

The balance due from Ventry Development Limited derived from the return of deposit made for the acquisition of allotted shares subsequently refunded without extinguishing the shares. The total amount receivable has been impaired.

12.3.3 Growth & Development Asset Management Limited

The balance represents non interest bearing payment initially treated as investment now reclassified to other receivables and subsequently fully impaired.

Group	Accrued income N'000	Prepayment N'000	Other receivables N'000	Total N'000
At beginning of year	97,630	134,415	231,527	463,572
Additions	-	917	2,319,966	2,320,883
Realisation/utilisation	(78,152)	-	(146,139)	(224,291)
Expensed during the year	-	(14,290)	-	(14,290)
Allowance for impairment	-	-	(2,228,166)	(2,228,166)
At end of year	19,478	121,042	177,188	317,708
Company	Accrued income N'000	Prepayment N'000	Other receivables N'000	Total N'000
At beginning of year	88,469	125,720	231,527	445,716
Additions	-	-	2,215,849	2,215,849
Realisation/utilisation	(68,991)	-	(146,139)	(215,130)
Expensed during the year	-	(14,290)	-	(14,290)
Allowance for impairment	-	-	(2,228,166)	(2,228,166)
At end of year	19,478	111,430	73,071	203,979

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
10 Deferred acquisition cost				
At beginning of year	249,914	249,328	249,914	232,989
Additions during the year	717,935	776,751	717,935	704,369
Amortisation during the year	(806,714)	(776,165)	(806,714)	(687,444)
At end of year	<u>161,135</u>	<u>249,914</u>	<u>161,135</u>	<u>249,914</u>
Due within 12 months	161,135	249,914	161,135	249,914
Due after 12 months	-	-	-	-
	<u>161,135</u>	<u>249,914</u>	<u>161,135</u>	<u>249,914</u>
11 Investment in subsidiary				
Staco Sierra Leone Limited	-	-	327,936	285,227
12 This represents 60% holding in the ordinary share capital of Staco Sierra Leone Limited, a subsidiary incorporated and operating in Sierra Leone				
12 The following table illustrates the summarised financial information of the company's investment in Staco Sierra Leone Limited				
Share of Subsidiary's statement of financial position:				
Assets	-	-	920,133	535,604
Liabilities	-	-	(733,504)	(368,917)
Equity	-	-	186,629	166,687
Share of Subsidiary's reserves and profit or loss:			156,741	130,516
Contingency reserve	-	-	41,746	35,064
Retained earnings	-	-	99,561	83,476
	-	-	141,307	118,540
Carrying amount of the investment	-	-	327,936	285,227
13 Appreciation/(diminution) in investment				
Carrying amount of the investment	-	-	327,936	285,227
Cost of investment	-	-	74,733	74,733
Appreciation in investment	-	-	253,203	210,494
As disclosed in note 27d, the investment appreciated by N42,709,000 during the year.				
13 Investment properties				
13 Glover Road Ikoyi	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>
Movement in investment properties				
At 1 January	1,520,000	1,480,000	1,520,000	1,480,000
Revaluation surplus	-	40,000	-	40,000
At 31 December	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>
Cost/Valuation at 31 December, 2017 is represented by:				
Cost	1,025,000	1,025,000	1,025,000	1,025,000
Revaluation surplus	495,000	495,000	495,000	495,000
Carrying amount	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,520,000</u>

Investment properties are carried at fair value which are determined by independent professional valuers. The determination of fair value of the investment properties was supported by market evidence. The modalities and process utilized extensive analysis of market data and other sector specific peculiarities corroborated with available database derived from previous experience.

The investment property is a landed property held for the purpose of capital appreciation. It is a bare land located at No 13 Glover Road, Ikoyi in Eti Osa Local Government Area of Lagos State. The title documents of the property are in the name of the company.

The property was independently valued by Dennis Osamudiam (FRC/2013/NIESV/00000003727) for Dennis Osamudiam & Co on 13th December 2017 at N1,520,000,000 (2016 : N1,520,000,000) on the basis of open market value.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
16 Deferred tax assets				
At 1 January	-	7,843	-	-
Charge for the year	7,820	(7,843)	-	-
At 31 December	<u>7,820</u>	<u>-</u>	<u>-</u>	<u>-</u>

The movement in deferred income tax liabilities during the year is as follows:

16.1 Deferred tax liability				
At 1 January	101,892	102,615	98,050	98,050
Charge for the year	(3,842)	(723)	-	-
At 31 December	<u>98,050</u>	<u>101,892</u>	<u>98,050</u>	<u>98,050</u>

The movement in deferred income tax liabilities during the year is as follows:

Group

	Property and equipment N'000	Provisions for N'000	Deferred acquisition costs N'000	Total N'000
At beginning of year	101,892	-	-	101,892
Charged /(credited) to income statement	(3,842)	-	-	(3,842)
Charged /(credited) to other comprehensive income	-	-	-	-
Year ended 31 December 2017	<u>98,050</u>	<u>-</u>	<u>-</u>	<u>98,050</u>
Due within 12 months	-	-	-	-
Due after 12 months	98,050	-	-	98,050
	<u>98,050</u>	<u>-</u>	<u>-</u>	<u>98,050</u>

Company

	Property and equipment N'000	Provisions for N'000	Deferred acquisition costs N'000	Total N'000
At beginning of year	98,050	-	-	98,050
Charged /(credited) to income statement	-	-	-	-
Charged /(credited) to other comprehensive income	-	-	-	-
Year ended 31 December 2017	<u>98,050</u>	<u>-</u>	<u>-</u>	<u>98,050</u>
Due within 12 months	-	-	-	-
Due after 12 months	98,050	-	-	98,050
	<u>98,050</u>	<u>-</u>	<u>-</u>	<u>98,050</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17 Leased assets - Group

	Motor Vehicle 2017 N'000	Motor Vehicle 2016 N'000
Cost		
At 1 January	592,767	568,517
Additions	-	24,250
At 31 December	<u>592,767</u>	<u>592,767</u>
Accumulated depreciation		
At 1 January	320,644	267,000
Charge for the year	<u>59,276</u>	<u>53,644</u>
At 31 December	<u>379,920</u>	<u>320,644</u>
Carrying value	<u><u>212,847</u></u>	<u><u>272,123</u></u>

17 Leased assets - Company

	Motor Vehicle 2017 N'000	Motor Vehicle 2016 N'000
Cost		
At 1 January	592,767	568,517
Additions	-	24,250
At 31 December	<u>592,767</u>	<u>592,767</u>
Accumulated depreciation		
At 1 January	320,644	267,000
Charge for the year	<u>59,276</u>	<u>53,644</u>
At 31 December	<u>379,920</u>	<u>320,644</u>
Carrying value	<u><u>212,847</u></u>	<u><u>272,123</u></u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18 Property, plant and equipment - Group

	Land N'000	Building N'000	Plant and Machinery N'000	Furniture Fittings and equipment N'000	Motor Vehicle N'000	Work in Progress N'000	Total N'000
Cost/Valuation							
At 1 January 2016	500,000	1,378,957	222,909	969,801	1,470,493	4,226	4,546,386
Additions	-	-	46,404	116,776	11,996	-	175,176
Disposal	-	-	-	-	(9,708)	-	(9,708)
Revaluation surplus	-	341,552	-	-	-	-	341,552
At 31 December 2016	500,000	1,720,509	269,313	1,086,577	1,472,781	4,226	5,053,406
Accumulated depreciation							
At 1 January 2016	-	188,944	81,511	469,286	1,174,951	-	1,914,692
Charge for the year	-	34,197	23,038	80,564	105,361	-	243,160
Transfer to revaluation reserve	-	(223,141)	-	-	-	-	(223,141)
Disposal	-	-	-	-	(9,708)	-	(9,708)
At 31 December 2016	-	-	104,549	549,850	1,270,604	-	1,925,003
Net book amount at 31 December 2016	500,000	1,720,509	164,764	536,727	202,177	4,226	3,128,403
Cost/Valuation							
At 1 January 2017	500,000	1,720,509	269,313	1,086,577	1,472,781	4,226	5,053,406
Additions	-	100	14,165	24,111	68,658	-	107,034
Disposal	-	-	-	(814)	(15,626)	-	(16,440)
Revaluation surplus (Note 28c)	-	-	-	-	-	-	-
At 31 December 2017	500,000	1,720,609	283,478	1,109,874	1,525,813	4,226	5,144,000
Accumulated depreciation							
At 1 January 2017	-	-	104,549	549,850	1,270,604	-	1,925,003
Charge for the year	-	34,401	26,438	91,839	78,135	-	230,813
Transfer to revaluation reserve	-	-	-	-	-	-	-
Disposal	-	-	-	(814)	(15,626)	-	(16,440)
At 31 December 2017	-	34,401	130,987	640,875	1,333,113	-	2,139,376
Net book amount at 31 December 2017	500,000	1,686,208	152,491	468,999	192,700	4,226	3,004,624
Cost/Valuation at 31 December, 2017 is made up as follows:							
At Cost	500,000	496,820	283,478	1,109,874	261,215	4,226	2,655,613
Revaluation surplus	-	893,280	-	-	330,508	-	1,223,788
At cost/valuation	500,000	1,390,100	283,478	1,109,874	1,525,813	4,226	3,879,401

The property was independently valued by Dennis Osamudiamé (FRC/2013/NIESV/00000003727) for Dennis Osamudiamé & Co on 13th December 2017 at N1,890,100,000 (2016: N1,890,000,000) on the basis of open market value.

Work in progress refers to capital expenditures incurred on items of equipment which are however not ready for use and as such are not being depreciated.

Depreciation expenses of N230.8 million has been charged in other operating and administrative expenses.

None of the company's property, plant and equipment has been pledged as securities for borrowings.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11 Property, plant and equipment - Company

	Land N'000	Building N'000	Plant and Machinery N'000	Furniture Fittings and equipment N'000	Motor Vehicle N'000	Work-in Progress N'000	Total N'000
Cost/Valuation							
At 1 January 2016	500,000	1,378,957	222,909	938,823	1,446,994	4,226	4,491,909
Additions	-	-	46,404	108,670	9,445	-	164,519
Disposal	-	-	-	-	(6,607)	-	(6,607)
Revaluation surplus	-	341,552	-	-	-	-	341,552
At 31 December 2016	500,000	1,720,509	269,313	1,047,493	1,449,830	4,226	4,991,371
Accumulated depreciation							
At 1 January 2016	-	188,944	81,511	458,909	1,170,051	-	1,899,415
Charge for the year	-	34,197	23,038	75,251	101,155	-	233,641
Transfer to revaluation reserve	-	(223,141)	-	-	-	-	(223,141)
Disposal	-	-	-	-	(6,607)	-	(6,607)
At 31 December 2016	-	-	104,549	534,160	1,264,599	-	1,903,308
Net book amount at 31 December 2016	500,000	1,720,509	164,764	513,333	185,231	4,226	3,088,064
Cost/Valuation							
At 1 January 2017	500,000	1,720,509	269,313	1,047,493	1,449,830	4,226	4,991,371
Additions	-	100	14,165	19,450	68,658	-	102,373
Disposal	-	-	-	(814)	(15,626)	-	(16,440)
Revaluation surplus (Note 28c)	-	-	-	-	-	-	-
At 31 December 2017	500,000	1,720,609	283,478	1,066,129	1,502,862	4,226	5,077,304
Accumulated depreciation							
At 1 January 2017	-	-	104,549	534,160	1,264,599	-	1,903,308
Charge for the year	-	34,401	26,438	84,566	74,301	-	219,706
Transfer to revaluation reserve	-	-	-	-	-	-	-
Disposal	-	-	-	(814)	(15,626)	-	(16,440)
At 31 December 2017	-	34,401	130,987	617,912	1,323,274	-	2,106,574
Net book amount at 31 December 2017	500,000	1,686,208	152,491	448,217	179,588	4,226	2,970,730
Cost/Valuation at 31 December, 2017 is made up as follows:							
At Cost	500,000	496,820	283,478	1,066,129	1,502,862	4,226	3,853,515
Revaluation surplus	-	1,223,789	-	-	-	-	1,223,789
At cost/valuation	500,000	1,720,609	283,478	1,066,129	1,502,862	4,226	5,077,304

The property was independently valued by Dennis Osamudiamé (FRC/2013/NIESV/00000003727) for Dennis Osamudiamé & Co. on 13th December 2017 at N2,220,609,000 (2016: N2,220,509,000) on the basis of open market value.

Work in progress refers to capital expenditures incurred on items of equipment which are however not ready for use and as such are not being depreciated.

Depreciation expenses of N219.7 million has been charged in other operating and administrative expenses

None of the company's property, plant and equipment has been pledged as securities for borrowings.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
19 Statutory deposit				
This represents amount deposited with Central Bank of Nigeria (CBN) in accordance with section 10 (3) of the Insurance Act, 2003	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Due within 12 months	-	-	-	-
Due after 12 months	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
20 Intangible asset				
Goodwill (Note 20.1)	-	-	-	-
Software (Note 20.2)	<u>60,105</u>	<u>69,921</u>	<u>56,000</u>	<u>69,921</u>
	<u>60,105</u>	<u>69,921</u>	<u>56,000</u>	<u>69,921</u>
20 Intangible Asset - Goodwill				
Cost				
At 1 January	50,460	50,460		
Addition	-	-	-	-
At 31 December	<u>50,460</u>	<u>50,460</u>	<u>-</u>	<u>-</u>
Amortisation				
At 1 January	50,460	37,845	-	-
Amortisation	-	12,615	-	-
At 31 December	<u>50,460</u>	<u>50,460</u>	<u>-</u>	<u>-</u>
Carrying value				
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
20 Intangible Asset - Software				
Cost				
At 1 January	178,125	175,767	178,125	175,767
Cost capitalised	<u>11,067</u>	<u>2,358</u>	<u>4,244</u>	<u>2,358</u>
At 31 December	<u>189,192</u>	<u>178,125</u>	<u>182,369</u>	<u>178,125</u>
Amortisation				
At 1 January	108,204	90,391	108,204	90,391
Amortisation	<u>20,882</u>	<u>17,813</u>	<u>18,165</u>	<u>17,813</u>
At 31 December	<u>129,086</u>	<u>108,204</u>	<u>126,369</u>	<u>108,204</u>
Carrying value				
At 31 December	<u>60,105</u>	<u>69,921</u>	<u>56,000</u>	<u>69,921</u>

The intangible assets of the company comprised of goodwill and computer software. The computer softwares are accounted for using the cost model in line with IAS 38 i.e cost less accumulated amortization and less accumulated impairment. The amortization is charged to income statement in line with the Company's policy.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
21.2 Life insurance liabilities				
Provision for outstanding claims	757	-	-	-
Life liability (note 21.2a)	248,503	146,660	-	-
	<u>249,260</u>	<u>146,660</u>	<u>-</u>	<u>-</u>
21.2a The movement on the life funds account during the year was as follows:				
At 1 January	146,660	65,215	-	-
Increase/(decrease) during the year	101,843	81,445	-	-
At 31 December	<u>248,503</u>	<u>146,660</u>	<u>-</u>	<u>-</u>
22 Financial liabilities				
Convertible bond (Note 22.1)	3,608,694	3,039,773	3,608,694	3,039,773
Short term loan (Note 22.3)	836,152	260,705	836,152	260,705
	<u>4,444,846</u>	<u>3,300,478</u>	<u>4,444,846</u>	<u>3,300,478</u>
Due within 12 months	141,069	212,441	141,069	212,441
Due after 12 months	<u>4,303,777</u>	<u>3,088,037</u>	<u>4,303,777</u>	<u>3,088,037</u>
	<u>4,444,846</u>	<u>3,300,478</u>	<u>4,444,846</u>	<u>3,300,478</u>

22.1 Convertible Bond

This represents zero coupon JPY 1,200,000,000 direct, unconditional, unsubordinated and unsecured European bond with option issued on 9 November, 2007 to Daewoo Securities Europe Limited. The Bonds were issued with the option to subscribe for the ordinary Shares of the company with a yield of 4.25% per annum while the tenor of the convertible option is valid up to year 2029.

During the year, Management has carried out a review of the Restructuring Agreement vis-à-vis the original Subscription Bond Agreement and obtained professional advice thereon. In view of the professional opinion provided, coupled with the fact that the Bond is zero Coupon Bond intended to mature by 2029 financial year under the original agreement, the Board of Directors took the following decisions for the proper statement of the liability in the Financial Statements:

1. On the strength of the professional opinion received, to discontinue the improper estimation of the liabilities under the bond arrangement and correct required changes to estimates in the company's financial records deriving from the deviation from the original agreement to the adoption of the invalid restructuring agreement.

2. Application of the 4.25% per annum interest rate contained in the original Subscription Bond Agreement for interest computations in view of the fact that the restructuring agreement of 2013 is flawed as it was not validly executed.

3. There are on going discussions with the bond holders with a view to converting the debt to equity as specified in the original agreement.

4. The balance carried forward at 31 December, 2017 is made up as follows:

Composition of convertible bond balance

	Amount N'000
Confirmed balance at 31/12/13 (JPY1,125,402,713 at N1.4800)	1,665,596
Interest at 4.25% for 2014 to 2017	366,688
Exchange difference and other charges	1,576,410
Balance at 31/12/17 (JPY1,329,266,966.75 at N2.7148)	<u>3,608,694</u>

5 Excess interest provision

Year	Original interest Charged N'000	Revised Interest Charged N'000	Provision no longer required N'000
2014	176,499	70,788	105,711
2015	193,116	69,992	123,124
2016	212,441	84,839	127,602
	<u>582,056</u>	<u>225,619</u>	<u>356,437</u>

The excess provision in prior years up to 2016 have been included in other income.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Movements on the bond balances are as follows:

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
As 1 January	3,039,773	2,124,405	3,039,773	2,124,405
Movement during the year(Note 22.2)	568,921	915,368	568,921	915,368
At 31 December	<u>3,608,694</u>	<u>3,039,773</u>	<u>3,608,694</u>	<u>3,039,773</u>

In respect of the bonds, there have been consistent default in the repayments of both interest and principal. In line with Schedule 7 under the Special Covenants of the terms of the issue, default charges are payable. However, In view of Clause 7(zz) which provides for the conversion of the bond by 2029, the repayment of the default charges are only contingent. The computed amount of contingent liability in respect of the default charges as at year end is N3,511,082,292.14. Based on exchange rate at N3.3151 to the Yen, the additional contingent liability arising between 1 January, 2018 and 30 September, 2019 is expected to be N3,478,338,782.38, while the interest from 1 January, 2018 to 30 September, 2019 is expected to be N295,658,796.50.

22.2 Movement during the year

Interest on the bond	141,069	212,441	141,069	212,441
Payment during the year	-	-	-	-
Exchange loss	784,289	702,927	784,289	702,927
Provision no longer required	(356,437)	-	(356,437)	-
	<u>568,921</u>	<u>915,368</u>	<u>568,921</u>	<u>915,368</u>

22.3 Short term loan

	<u>836,152</u>	<u>-</u>	<u>836,152</u>	<u>-</u>
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During the financial year, the company obtained direct and indirect facilities of N780 million and N200 million respectively from CFS Financial Services Limited and GDL Assets Management Limited both at interest rate of 36%. The loan from CFS Financial Services Limited has a tenor of 36 months while that from GDL Assets Management Limited has a tenor of 18 months. Another loan of N70 million obtained from First Bank was at an interest of 35%.

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
23 Trade payables				
Insurance companies (Note23.1)	33,536	13,753	16,416	5,046
Reinsurance payables (Note 23.2)	71,237	-	71,237	-
	<u>104,773</u>	<u>13,753</u>	<u>87,653</u>	<u>5,046</u>

23.1 The amount due to insurance companies represent co-insurance**23.2 Reinsurance payables**

Reinsurance premium payable	71,237	-	71,237	-
Minimum deposit payable	-	-	-	-
	<u>71,237</u>	<u>-</u>	<u>71,237</u>	<u>-</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
21.2 Life insurance liabilities				
Provision for outstanding claims	757	-	-	-
Life liability (note 21.2a)	248,503	146,660	-	-
	<u>249,260</u>	<u>146,660</u>	<u>-</u>	<u>-</u>
21.2a The movement on the life funds account during the year was as follows:				
At 1 January	146,660	65,215	-	-
Increase/(decrease) during the year	101,843	81,445	-	-
At 31 December	<u>248,503</u>	<u>146,660</u>	<u>-</u>	<u>-</u>
22 Financial liabilities				
Convertible bond (Note 22.1)	3,608,694	3,039,773	3,608,694	3,039,773
Short term loan (Note 22.3)	836,152	260,705	836,152	260,705
	<u>4,444,846</u>	<u>3,300,478</u>	<u>4,444,846</u>	<u>3,300,478</u>
Due within 12 months	141,069	212,441	141,069	212,441
Due after 12 months	4,303,777	3,088,037	4,303,777	3,088,037
	<u>4,444,846</u>	<u>3,300,478</u>	<u>4,444,846</u>	<u>3,300,478</u>

22.1 Convertible Bond

This represents zero coupon JPY 1,200,000,000 direct, unconditional, unsubordinated and unsecured European bond with option issued on 9 November, 2007 to Daewoo Securities Europe Limited. The Bonds were issued with the option to subscribe for the ordinary Shares of the company with a yield of 4.25% per annum while the tenor of the convertible option is valid up to year 2029.

During the year, Management has carried out a review of the Restructuring Agreement vis-à-vis the original Subscription Bond Agreement and obtained professional advice thereon. In view of the professional opinion provided, coupled with the fact that the Bond is zero Coupon Bond intended to mature by 2029 financial year under the original agreement, the Board of Directors took the following decisions for the proper statement of the liability in the Financial Statements:

1. On the strength of the professional opinion received, to discontinue the improper estimation of the liabilities under the bond arrangement and correct required changes to estimates in the company's financial records deriving from the deviation from the original agreement to the adoption of the invalid restructuring agreement.
2. Application of the 4.25% per annum interest rate contained in the original Subscription Bond Agreement for interest computations in view of the fact that the restructuring agreement of 2013 is flawed as it was not validly executed.
3. There are on going discussions with the bond holders with a view to converting the debt to equity as specified in the original agreement.
4. The balance carried forward at 31 December, 2017 is made up as follows:
Composition of convertible bond balance

	Amount N'000
Confirmed balance at 31/12/13 (JPY1,125,402,713 at N1.4800)	1,665,596
Interest at 4.25% for 2014 to 2017	366,688
Exchange difference and other charges	1,576,410
Balance at 31/12/17 (JPY1,329,266,966.75 at N2.7148)	<u>3,608,694</u>

5 Excess interest provision

Year	Original Interest Charged N'000	Revised Interest Charged N'000	Provision no longer required N'000
2014	176,499	70,788	105,711
2015	193,116	69,992	123,124
2016	212,441	84,839	127,602
	<u>582,056</u>	<u>225,619</u>	<u>356,437</u>

The excess provision in prior years up to 2016 have been included in other income.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Movements on the bond balances are as follows:

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
As 1 January	3,039,773	2,124,405	3,039,773	2,124,405
Movement during the year(Note 22.2)	568,921	915,368	568,921	915,368
At 31 December	<u>3,608,694</u>	<u>3,039,773</u>	<u>3,608,694</u>	<u>3,039,773</u>

In respect of the bonds, there have been consistent default in the repayments of both interest and principal. In line with Schedule 7 under the Special Covenants of the terms of the issue, default charges are payable. However, In view of Clause 7(zz) which provides for the conversion of the bond by 2029, the repayment of the default charges are only contingent. The computed amount of contingent liability in respect of the default charges as at year end is N3,511,082,292.14. Based on exchange rate at N3.3151 to the Yen, the additional contingent liability arising between 1 January, 2018 and 30 September, 2019 is expected to be N3,478,338,782.38, while the interest from 1 January, 2018 to 30 September, 2019 is expected to be N295,658,796.50.

22.2 Movement during the year

Interest on the bond	141,069	212,441	141,069	212,441
Payment during the year	-	-	-	-
Exchange loss	784,289	702,927	784,289	702,927
Provision no longer required	(356,437)	-	(356,437)	-
	<u>568,921</u>	<u>915,368</u>	<u>568,921</u>	<u>915,368</u>

22.3 Short term loan

	<u>836,152</u>	<u>-</u>	<u>836,152</u>	<u>-</u>
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During the financial year, the company obtained direct and indirect facilities of N780 million and N200 million respectively from CFS Financial Services Limited and GDL Assets Management Limited both at interest rate of 36%. The loan from CFS Financial Services Limited has a tenor of 36 months while that from GDL Assets Management Limited has a tenor of 18 months. Another loan of N70 million obtained from First Bank was at an interest of 35%.

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
23 Trade payables				
Insurance companies (Note23.1)	33,536	13,753	16,416	5,046
Reinsurance payables (Note 23.2)	71,237	-	71,237	-
	<u>104,773</u>	<u>13,753</u>	<u>87,653</u>	<u>5,046</u>

23.1 The amount due to insurance companies represent co-insurance

23.2 Reinsurance payables

Reinsurance premium payable	71,237	-	71,237	-
Minimum deposit payable	-	-	-	-
	<u>71,237</u>	<u>-</u>	<u>71,237</u>	<u>-</u>

ATACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Other payables and accruals				
Lease obligation (Note 24.1)	15,753	56,698	15,753	56,698
Accruals	32,012	16,700	6,000	6,000
Other payables (Note 24.2)	70,075	19,415	16,240	4,982
	<u>117,840</u>	<u>92,813</u>	<u>37,993</u>	<u>67,680</u>
Lease obligation				
Opening balance	56,698	56,683	56,698	56,683
Addition	-	24,250	-	24,250
Repayment	(40,945)	(24,235)	(40,945)	(24,235)
Closing balance	<u>15,753</u>	<u>56,698</u>	<u>15,753</u>	<u>56,698</u>
Other payables (Pensions)	<u>70,075</u>	<u>19,415</u>	<u>16,240</u>	<u>4,982</u>

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

Due within 12 months	70,075	19,415	16,240	4,982
Due after 12 months	-	-	-	-
	<u>70,075</u>	<u>19,415</u>	<u>16,240</u>	<u>4,982</u>

Employee benefit liability**Gratuity scheme**

The Group has a post employment benefit scheme which is not funded

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

At beginning of year	5,818	1,306	-	-
Current service cost	650	4,512	-	-
Benefits paid	(441)	-	-	-
At end of year	<u>6,027</u>	<u>5,818</u>	<u>-</u>	<u>-</u>
Due within 12 months	-	-	-	-
Due after 12 months	6,027	5,818	-	-
	<u>6,027</u>	<u>5,818</u>	<u>-</u>	<u>-</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
26 Taxation				
26.1 Charge				
Income	109,388	59,709	35,000	25,000
Education tax	-	-	-	-
Prior year underprovision	-	80,000	-	80,000
Technology tax	-	-	-	-
	<u>109,388</u>	<u>139,709</u>	<u>35,000</u>	<u>105,000</u>
Deferred tax (note 16)	(3,842)	(723)	-	-
Charge for the year	<u>105,546</u>	<u>138,986</u>	<u>35,000</u>	<u>105,000</u>
26.2 Tax liability				
The movement on tax payable account during the year is as follows:				
At 1 January	86,749	66,772	21,804	32,374
Payments during the year	(83,660)	(119,732)	(41,298)	(115,570)
Charge for the year	<u>105,546</u>	<u>139,709</u>	<u>35,000</u>	<u>105,000</u>
At 31 December	<u>108,635</u>	<u>86,749</u>	<u>15,506</u>	<u>21,804</u>
26.3 The tax on the company profit before tax differs from the theoretical amount as follows:				
Profit/(loss) before income tax	(2,496,837)	(1,720,684)	(2,923,253)	(1,783,598)
Tax calculated at the tax rate of 30%	(749,051)	-	-	-
Effect of :				
- Change in tax rates	-	-	-	-
- Income not subject to tax	-	-	-	-
- Expenses not deductible for tax purposes	854,597	34,709	-	-
- Effects of Minimum Tax	-	105,000	35,000	105,000
Income tax expense	<u>105,546</u>	<u>139,709</u>	<u>35,000</u>	<u>105,000</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Equity				
Share capital				
Authorised 13 billion ordinary shares of 50k each	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>
Issued and fully paid 9,341,087,609 (2016: 9,341,087,609) ordinary shares of 50k each				
At 1 January	4,670,544	3,070,544	4,670,544	3,070,544
Issued during the year	-	1,200,000	-	1,200,000
Issued but unpaid for	-	400,000	-	400,000
At 31 December	<u>4,670,544</u>	<u>4,670,544</u>	<u>4,670,544</u>	<u>4,670,544</u>
Share premium	<u>434,164</u>	<u>434,164</u>	<u>434,164</u>	<u>434,164</u>
Premium arising from the issue of shares are reported in the share premium account.				
Revaluation reserve				
At 1 January	1,595,299	1,030,606	1,595,299	1,030,606
Addition during the year (Note 18)	-	564,693	-	564,693
At 31 December	<u>1,595,299</u>	<u>1,595,299</u>	<u>1,595,299</u>	<u>1,595,299</u>

Under current regulations, property, plant and equipment revaluation reserve is not available for distribution to shareholders either as dividends or bonus shares.

No provision was made for deferred capital gains tax as the property is not meant for sale in the foreseeable future.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
27d Fair value reserve				
At 1 January	61,491	4,598	271,985	195,699
Additions during the year (Note 9.4)	102,447	56,893	102,447	56,893
Appreciation on investment in Subsidiary (Note 14.2)	-	-	42,709	19,393
At 31 December	<u>163,938</u>	<u>61,491</u>	<u>417,141</u>	<u>271,985</u>

27e Contingency reserve

In accordance with the Insurance act, a contingency reserve is credited with the greater of 3% of total premiums or 20% of profits for general business and 1% of total premiums or 10% of profits for life business. This shall accumulate until it reaches the amount of greater of minimum paid- up capital or 50 percent of net premium.

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
At the beginning of the year	1,952,489	1,799,353	1,920,595	1,776,763
Transfer from retained earnings	166,046	153,136	156,743	143,832
At end of the year	<u>2,118,535</u>	<u>1,952,489</u>	<u>2,077,338</u>	<u>1,920,595</u>

TACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Retained Earnings				
General reserve consist of undistributed profits from previous years.				
At 1 January	(5,613,715)	(2,910,278)	(5,821,241)	(3,098,181)
Transfer from profit and loss	(2,602,383)	(2,550,301)	(2,958,253)	(2,579,229)
Transfer to contingency reserve	(166,046)	(153,136)	(156,743)	(143,832)
At 31 December	(8,382,144)	(5,613,715)	(8,936,237)	(5,821,241)
Translation reserve (Note 27f(i))	(156,687)	(47,155)	-	-
	<u>(8,538,831)</u>	<u>(5,660,870)</u>	<u>(8,936,237)</u>	<u>(5,821,241)</u>
Translation Reserve				
At 1 January	(47,155)	29,005	-	-
Movement during the year	(109,532)	(76,160)	-	-
At 31 December	<u>(156,687)</u>	<u>(47,155)</u>	<u>-</u>	<u>-</u>
Non-controlling Interest				
Equity	111,126	77,232	-	-
Share of profit	56,940	33,894	-	-
	<u>168,066</u>	<u>111,126</u>	<u>-</u>	<u>-</u>
Net premium income				
a Gross Premium written	5,753,037	5,403,082	5,224,762	4,794,411
Change in unearned premium provision	234,119	(221,295)	107,663	(129,457)
Gross premium income	<u>5,987,156</u>	<u>5,181,787</u>	<u>5,332,425</u>	<u>4,664,954</u>
b Reinsurance expenses:				
Premium ceded to reinsurers (Note 28c)	(1,303,353)	(1,431,018)	(1,273,338)	(1,400,440)
Amortised M & D	(33,275)	(40,865)	(33,275)	(40,865)
Movement in prepaid reinsurance	(150,895)	(111,880)	(150,895)	(111,880)
	<u>(1,487,523)</u>	<u>(1,583,763)</u>	<u>(1,457,508)</u>	<u>(1,553,185)</u>
Net premium income	<u>4,499,633</u>	<u>3,598,024</u>	<u>3,874,917</u>	<u>3,111,769</u>
c Premium ceded to reinsurers				
Ceded locally	1,303,353	1,239,335	1,273,338	1,208,757
Ceded abroad	-	191,683	-	191,683
	<u>1,303,353</u>	<u>1,431,018</u>	<u>1,273,338</u>	<u>1,400,440</u>

ACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Fees and commission income				
Fee income arising on insurance contracts	253,783	193,614	243,127	193,614
	<u>253,783</u>	<u>193,614</u>	<u>243,127</u>	<u>193,614</u>
Claims expenses				
Gross benefit and claims paid (Note 30.1)	2,420,102	2,047,649	2,332,716	1,990,774
Movement in Outstanding claims (Note 30.2)	288,646	(179,135)	251,164	(180,609)
	<u>2,708,748</u>	<u>1,868,514</u>	<u>2,583,880</u>	<u>1,810,165</u>
Claims and Benefits recovered from Reinsurers (Note 30.3)	(468,860)	(817,258)	(468,860)	(815,784)
Net Claims Expenses	<u>2,239,888</u>	<u>1,051,256</u>	<u>2,115,020</u>	<u>994,381</u>
Gross benefit and claims paid				
Fire and engineering	770,083	718,989	760,678	716,832
Motor	435,739	506,745	427,737	504,144
General Accident	228,259	276,828	211,862	269,316
Marine	609,029	339,280	609,029	339,280
Bond	21,427	85,737	21,427	85,737
Oil and gas	300,781	72,512	300,781	72,512
Aviation	1,202	2,953	1,202	2,953
Others	53,582	44,604	-	-
Total benefits and claims paid	<u>2,420,102</u>	<u>2,047,649</u>	<u>2,332,716</u>	<u>1,990,775</u>
The insurance claims comprise of claims paid, claims expenses paid including loss adjuster fees.				
Movement in outstanding claims				
General business (Note 30.2a)	288,646	(179,135)	251,164	(180,609)
Life business	-	-	-	-
	<u>288,646</u>	<u>(179,135)</u>	<u>251,164</u>	<u>(180,609)</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30.2a Breakdown of movement in
outstanding claims

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Fire and engineering	388,997	(107,565)	375,141	(107,565)
Motor	129,950	2,003	125,801	2,003
General Accident	68,505	(104,106)	57,999	(105,580)
Marine	(42,167)	(119,832)	(51,138)	(119,832)
Bond	(160,446)	128,561	(160,446)	128,561
Oil and gas	(96,226)	26,227	(96,226)	26,227
Aviation	33	(4,423)	33	(4,423)
	<u>288,646</u>	<u>(179,135)</u>	<u>251,164</u>	<u>(180,609)</u>

30.3 Claim Expenses Recovered from
Reinsurers

General business	(468,860)	(817,258)	(468,860)	(815,784)
Life business	-	-	-	-
	<u>(468,860)</u>	<u>(817,258)</u>	<u>(468,860)</u>	<u>(815,784)</u>

Insurance recoveries and recoverable consist of actual amount recovered from the reinsurers.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
34 Operating and administrative expenses				
Employee benefits expense (Note 34.1)	965,505	893,460	833,757	835,177
Depreciation-Property, plant and equipments	230,813	243,652	219,706	233,606
Depreciation -leased asset	59,276	53,644	59,276	53,644
Amortization -Intangible assets	20,882	17,813	18,165	17,813
Auditors remuneration	10,612	11,233	6,000	6,000
Directors' emolument	43,653	55,611	35,011	51,547
Finance cost (Note 34.2)	197,378	222,945	193,316	222,302
Operating expenses	1,975,091	1,056,254	1,869,468	949,444
Impairment loss on other receivables (Note 9.2a)	518,773	830,176	518,773	830,176
Exchange loss on convertible bond	784,289	702,928	784,289	702,928
	<u>4,806,272</u>	<u>4,087,716</u>	<u>4,537,761</u>	<u>3,902,637</u>
34.1 Employee benefits expense				
Salaries and wages	803,409	792,402	677,868	736,595
Medical	28,023	33,277	24,123	31,393
Staff training	49,725	67,417	49,393	66,825
Pension	60,971	-	58,996	-
Terminal benefit	23,377	364	23,377	364
	<u>965,505</u>	<u>893,460</u>	<u>833,757</u>	<u>835,177</u>
34.2 Finance Cost	<u>268,950</u>	<u>151,373</u>	<u>264,888</u>	<u>150,730</u>
Finance cost is made up of interest on finance lease, bank charges and interest on overdrawn bank accounts within the reporting period.				
35 Interest on convertible bond				
Interest on bond (Note 22.2)	<u>141,069</u>	<u>212,441</u>	<u>141,069</u>	<u>212,441</u>
36 Impairment loss on trade receivables				
Impairment loss on trade receivables	<u>52,550</u>	<u>109,012</u>	<u>-</u>	<u>-</u>
37 Earning per share				
Basic earnings per share represents the profit attributable to each of the weighted number of shares of the company in issue during the year.				
Loss attributable to equity holders (N'000)(2,958,253)				
Weighted average number of ordinary shares in issue ('000) 9,341,088				
Basic earnings per share (30)kobo				
38 Contingencies and commitments				
(a) Legal proceedings and regulations				
The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. There were four (2016: nine) outstanding legal proceedings against the Company as at 31 December 2017 with claims totaling N45 million (2016: N144.71 million). While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.				
The Company is also subject to insurance solvency regulations and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.				
(b) Convertible bonds				
As disclosed in Note 22.1, there is a contingent liability of N3,511,082,292.14 in respect of default charges as at 31 December, 2017 and expected additional contingent liability of N3,478,338,782.38 and N295,658,796.50 respectively for default charges and interest as at the end of the third quarter of 2019.				
(c) Capital commitments				
The Company has no capital commitments as at the reporting date.				

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

31.2 Breakdown of maintenance expenses

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Fire	6,265	52,565	6,265	52,565
Engineering	890	7,974	890	7,974
Motor	22,330	101,370	22,330	101,370
General Accident	5,594	24,804	5,594	24,804
Marine	34,007	46,783	34,007	46,783
Bond	471	821	471	821
Oil and gas	625	18,419	625	18,419
Aviation	4	4,758	4	4,758
	<u>70,186</u>	<u>257,494</u>	<u>70,186</u>	<u>257,494</u>

32 Investment income

Interest on statutory deposit	91,974	47,513	45,253	30,634
Dividend income	41,895	2,066	41,895	2,066
Held-to-maturity , loans and receivables	2,011	1,434	2,011	1,434
Cash and cash equivalents	93,304	95,537	93,304	95,537
	<u>229,184</u>	<u>146,550</u>	<u>182,463</u>	<u>129,671</u>

32.1 Investment income distribution

Share -shareholders	137,210	99,037	137,210	99,037
Share -policy holder	91,974	47,513	45,253	30,634
	<u>229,184</u>	<u>146,550</u>	<u>182,463</u>	<u>129,671</u>

33 Other income

Foreign exchange translation gain	35,350	-	-	-
Revaluation of investment assets	-	40,000	-	40,000
Gain on disposal of fixed assets	479	2,583	479	2,583
Excess interest charges	-	-	-	-
Sundry income	84,074	97,170	84,074	96,531
Provision no longer required:				
Financial assets	6,000	6,000	6,000	6,000
Convertible bond (Note 22.2)	356,437	-	356,437	-
	<u>482,340</u>	<u>145,753</u>	<u>446,990</u>	<u>145,114</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
34 Operating and administrative expenses				
Employee benefits expense (Note 34.1)	965,505	893,460	833,757	835,177
Depreciation-Property, plant and equipments	230,813	243,652	219,706	233,606
Depreciation -leased asset	59,276	53,644	59,276	53,644
Amortization -Intangible assets	20,882	17,813	18,165	17,813
Auditors remuneration	10,612	11,233	6,000	6,000
Directors' emolument	43,653	55,611	35,011	51,547
Finance cost (Note 34.2)	197,378	222,945	193,316	222,302
Operating expenses	1,975,091	1,056,254	1,869,468	949,444
Impairment loss on other receivables (Note 9.2a)	518,773	830,176	518,773	830,176
Exchange loss on convertible bond	784,289	702,928	784,289	702,928
	<u>4,806,272</u>	<u>4,087,716</u>	<u>4,537,761</u>	<u>3,902,637</u>
34.1 Employee benefits expense				
Salaries and wages	803,409	792,402	677,868	736,595
Medical	28,023	33,277	24,123	31,393
Staff training	49,725	67,417	49,393	66,825
Pension	60,971	-	58,996	-
Terminal benefit	23,377	364	23,377	364
	<u>965,505</u>	<u>893,460</u>	<u>833,757</u>	<u>835,177</u>
34.2 Finance Cost	<u>268,950</u>	<u>151,373</u>	<u>264,888</u>	<u>150,730</u>
Finance cost is made up of interest on finance lease, bank charges and interest on overdrawn bank accounts within the reporting period.				
35 Interest on convertible bond				
Interest on bond (Note 22.2)	<u>141,069</u>	<u>212,441</u>	<u>141,069</u>	<u>212,441</u>
36 Impairment loss on trade receivables				
Impairment loss on trade receivables	<u>52,550</u>	<u>109,012</u>	<u>-</u>	<u>-</u>
37 Earning per share				
Basic earnings per share represents the profit attributable to each of the weighted number of shares of the company in issue during the year.				
Loss attributable to equity holders (N'000)(2,958,253)				
Weighted average number of ordinary shares in issue ('000) 9,341,088				
Basic earnings per share (30)kobo				
38 Contingencies and commitments				
(a) Legal proceedings and regulations				
The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. There were four (2016: nine) outstanding legal proceedings against the Company as at 31 December 2017 with claims totaling N45 million (2016: N144.71 million). While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.				
The Company is also subject to insurance solvency regulations and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.				
(b) Convertible bonds				
As disclosed in Note 22.1, there is a contingent liability of N3,511,082,292.14 in respect of default charges as at 31 December, 2017 and expected additional contingent liability of N3,478,338,782.38 and N295,658,796.50 respectively for default charges and interest as at the end of the third quarter of 2019.				
(c) Capital commitments				
The Company has no capital commitments as at the reporting date.				

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

39 Related party transactions

(a) Subsidiary

Transactions between Staco Insurance Plc and the subsidiary meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(b) Transactions with key management personnel

The group's key management personnel and persons connected with them are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control.

The key management personnel have been identified as the executive and non-executive Directors of the Group. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with Staco Insurance Plc.

The volume of related party transaction, outstanding balances at the year end and related expense and income for the year are as follows:

(i) Loans and advances to key management personnel

	31 December 2017 N'000	31 December 2016 N'000
Loan outstanding as at 1 January	3,188	4,438
Additions in the year	14,999	-
Loans repayment during the year	(1,250)	(1,250)
Loan outstanding as at 31 December	<u>16,937</u>	<u>3,188</u>
Net interest income earned		
Net interest income earned	50	50

No provision has been recognised in respect of loans given to key management personnel (2016 Nil)

STACO INSURANCE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(ii) Loans and advances from related entities

	31 December 2017 N'000	31 December 2016 N'000
Loan outstanding as at 1 January	-	-
Additions in the year	780,000	-
Loans repayment during the year	(208,348)	-
Loan outstanding as at 31 December	<u>571,652</u>	<u>-</u>

As stated in Note 22.4, financial liabilities include an amount of N780 million facility obtained from CFS Financial Services Limited which has its Director as a Director of Staco Insurance Plc.

(iii) Sales of insurance contract and other services

	2017 N'000	2016 N'000
Premium received	1,385	278,731
Claims paid	5,561	126,869

Terms and conditions

Premium received and claims paid relates to sale of insurance contract are at arms length.

(c) Compensation of key management personnel

Key management personnel of the company includes all Directors (executive and non-executive) members of the management committee.

The summary of compensation of key management personnel for the year is as follows:

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Salaries	54,732	41,181	49,232	35,681
Fees	1,680	1,530	850	700
Post-employment benefits	-	-	-	-
	<u>56,412</u>	<u>42,711</u>	<u>50,082</u>	<u>36,381</u>

40 Employees and Directors

a. Employees

The average number of persons employed by the Company during the year was as follows:

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Executive Directors	4	3	3	2
Management	84	84	72	72
Non-management	268	276	237	245
	<u>356</u>	<u>363</u>	<u>312</u>	<u>319</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Compensation for the above staff (excluding executive Directors):

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Salaries and wages	748,677	751,221	628,636	700,914
Retirement benefit costs	23,377	364	23,377	364
Medical	28,024	33,277	24,123	31,393
Staff training	49,725	67,417	49,393	66,825
	<u>849,802</u>	<u>852,279</u>	<u>725,530</u>	<u>799,496</u>

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

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Less than N500,000	10	9	5	4
N500,001 - N750,000	95	95	84	84
N750,001 - N1,000,000	6	5	4	3
N1,000,001 - and Above	245	254	219	228
	<u>356</u>	<u>363</u>	<u>312</u>	<u>319</u>

b. Directors

Remuneration paid to the Company's Directors (excluding pension contribution) was:

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
Fees and sitting allowances	38,771	19,445	30,130	18,615
Executive compensation	-	36,400	-	31,500
Other director expenses	4,882	1,432	4,882	1,432
	<u>43,653</u>	<u>57,277</u>	<u>35,012</u>	<u>51,547</u>

Fees and other emoluments disclosed above include amounts paid to:

The chairman	770	770
The highest paid Director	21,150	15,718

The number of Directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses) in the following ranges was:

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Above N1,000,000	<u>14</u>	<u>17</u>	<u>8</u>	<u>9</u>

42 41 Events after the reporting date

There were no other events which could have a material effect on the financial position of the Group as at 31 December 2017 and profit attributable to equity holders on that date other than as disclosed in the financial statements.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42 Comparative figures

Certain comparative figures have been restated in order to show a more meaningful comparison and provide more disclosure in respect of the prior year balances.

	Group 2017 N'000	Group 2016 N'000	Company 2017 N'000	Company 2016 N'000
43 Reconciliation of operating profit to the cash provided by operating activities				
Operating (loss)/profit after tax	(2,602,383)	(2,550,301)	(2,958,253)	(2,579,229)
Increase in provision for bad debts	52,550	109,012	-	-
(Increase)/decrease in insurance receivable	(174,830)	(224,601)	23,202	2,771
(Increase)/decrease in reinsurance assets	79,821	6,798	79,821	(12,001)
(Increase)/decrease in deferred expenses	88,779	(586)	88,779	(16,925)
(Increase)/decrease other receivables	452,031	(444,047)	547,904	(440,556)
Change in available for sale equity	(99,934)	(87,271)	(83,218)	(120,725)
Dividend and Interests received	(133,869)	(49,579)	(87,148)	(32,700)
Investment income	(95,315)	(96,971)	(95,315)	(96,971)
Change in borrowings	1,144,368	1,172,291	1,144,368	1,176,073
Change in investment property	-	(40,000)	-	(40,000)
Translation reserve	(52,592)	2,199	-	-
Fair value reserve	102,447	56,893	102,447	56,893
Profit on disposal of fixed assets	(479)	(2,583)	(479)	(2,583)
Amortisation of intangible assets	20,882	30,428	18,165	17,813
Depreciation on leased assets	59,276	53,644	59,276	53,644
Depreciation on fixed assets	230,813	243,160	219,706	233,641
Increase/(decrease) in insurance contract liabilities	196,277	149,062	184,446	(51,153)
Increase/(decrease) in trade payable	91,020	(80,477)	82,607	2,961
Increase/(decrease) in deferred taxation	(11,662)	7,120	-	-
Decrease in employee benefit liability	209	4,512	-	-
Increase/(decrease) in other payables	25,027	(5,327)	(29,687)	490
Increase/(decrease) in taxation	21,886	19,977	(6,298)	(10,570)
Cash provided by operating activities	<u>(605,678)</u>	<u>(1,726,647)</u>	<u>(709,677)</u>	<u>(1,859,127)</u>

44 Contravention of Laws and Regulations

The Company contravened certain laws and regulations during the year and paid a total penalty of N6,750,000 as 31 December 2017 (2016: N17,383,561.64). This is analysed below:

Penalties	N'000
Penalty imposed by NSE for late filing (2016)	6,400
NAICOM penalty on 2017 oil & gas treaty arrangement	250
PENCOM penalty for non remittance of outstanding pension	100
	<u>6,750</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS cont'd
FOR THE YEAR ENDED 31 DECEMBER 2017

45 Hypothecation

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds will not be sufficient to fund the obligations arising from its insurance and investment contracts. In response to the risk, the Group's assets and liabilities are allocated as follows:

Group- 31 December 2017

	Insurance contract		Investment contract		Shareholders funds		
	Non life	Life	Non life	Life	Non life	Life	Total
In thousands of Naira							
Assets							
Cash and cash equivalents	1,360,873	-	-	-	-	-	1,360,873
Financial assets	841,157	-	-	-	-	-	841,157
Trade receivables	-	-	-	-	347,200	-	347,200
Reinsurance assets	1,060,294	-	-	-	-	-	1,060,294
Other receivables	-	-	-	-	317,708	-	317,708
Deferred acquisition cost	-	-	-	-	161,135	-	161,135
Investment in Subsidiary	-	-	-	-	-	-	-
Investment properties	-	-	-	-	1,520,000	-	1,520,000
Deferred tax assets	-	-	-	-	7,820	-	7,820
Leased assets	-	-	-	-	212,847	-	212,847
Intangible asset	-	-	-	-	60,105	-	60,105
Property ,plant and equipment	-	-	-	-	3,004,624	-	3,004,624
Statutory deposit	-	-	-	-	300,000	-	300,000
							-
Total Assets	3,262,324				5,931,439	-	9,193,763
Liabilities							
Insurance contract liabilities	3,701,877	-	-	-	-	-	3,701,877
Financial liabilities	-	-	-	-	4,444,846	-	4,444,846
Trade payables	-	-	-	-	104,773	-	104,773
Other payables	-	-	-	-	117,840	-	117,840
Deferred tax liabilities	-	-	-	-	98,050	-	98,050
Employee benefit liability	-	-	-	-	6,027	-	6,027
Taxation	-	-	-	-	108,635	-	108,635
Total liabilities	3,701,877				4,880,171		8,582,048
Deficit	(439,553)	-	-	-	1,051,268	-	611,715

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS cont'd
FOR THE YEAR ENDED 31 DECEMBER 2017

45 Hypothecation (Continued)

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds will not be sufficient to fund the obligations arising from its insurance and investment contracts. In response to the risk, the Company's assets and liabilities are allocated as follows:

Company- 31 December 2017

	Insurance contract		Investment contract		Shareholders funds		
	Non life	Life	Non life	Life	Non life	Life	Total
In thousands of Naira							
Assets							
Cash and cash equivalents	976,660	-	-	-	-	-	976,660
Financial assets	392,074	-	-	-	-	-	392,074
Trade receivables	-	-	-	-	60,137	-	60,137
Reinsurance assets	1,060,294	-	-	-	-	-	1,060,294
Other receivables	-	-	-	-	203,979	-	203,979
Deferred acquisition cost	-	-	-	-	161,135	-	161,135
Investment in Subsidiary	-	-	-	-	327,936	-	327,936
Investment properties	-	-	-	-	1,520,000	-	1,520,000
Leased assets	-	-	-	-	212,847	-	212,847
Intangible asset	-	-	-	-	56,000	-	56,000
Property ,plant and equipment	-	-	-	-	2,970,730	-	2,970,730
Statutory deposit	-	-	-	-	300,000	-	300,000
Total Assets	2,429,028	-	-	-	5,812,764	-	8,241,792
Liabilities							
Insurance contract liabilities	3,299,495	-	-	-	-	-	3,299,495
Financial liabilities	-	-	-	-	4,444,846	-	4,444,846
Trade payables	-	-	-	-	87,653	-	87,653
Other payables	-	-	-	-	37,993	-	37,993
Deferred tax liabilities	-	-	-	-	98,050	-	98,050
Taxation	-	-	-	-	15,506	-	15,506
Total liabilities	3,299,495	-	-	-	4,684,048	-	7,983,543
Deficit	(870,467)	-	-	-	1,128,716	-	258,249

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

46. Retrospective restatement of comparative amounts

To enhance the comparability of information, changes were made to the presentation of certain items in the financial statements. Accordingly, comparative figures were reclassified. Furthermore, a prior year error was identified in the 2016 financial statements, which has been adjusted for in these financial statements. The Company's Statement of Comprehensive Income for the year ended 31 December 2016 and the Statement of Financial Position as at 31 December 2016 were restated accordingly. The following tables summarize the impact of these on the financial statements.

(a) Statement of financial position

As at 31 December 2016

	Group				Company			
	As previously reported N'000	Note	Impact N'000	As restated N'000	As previously reported N'000	Note	Impact N'000	As restated N'000
Assets								
Cash and cash equivalents	2,750,249	i	(829,926)	1,920,323	2,486,662	i	(829,926)	1,656,736
Financial assets	732,913			732,913	303,077			303,077
Trade receivables	224,920			224,920	83,339			83,339
Reinsurance assets	1,140,115			1,140,115	1,140,115			1,140,115
Other receivables and prepayments	369,739	ii	400,000	769,739	351,883	ii	400,000	751,883
Deferred acquisition cost	249,914			249,914	249,914			249,914
Investment in subsidiary	-			-	285,227			285,227
Investment properties	1,520,000			1,520,000	1,520,000			1,520,000
Deferred tax assets	-			-	-			-
Leased assets	272,123			272,123	272,123			272,123
Property, plant and equipment	3,128,403			3,128,403	3,088,064			3,088,064
Statutory deposit	300,000			300,000	300,000			300,000
Intangible asset	69,921			69,921	69,921			69,921
Total assets	10,758,297			10,328,371	10,150,325			9,720,399
Liabilities								
Insurance contract liabilities	3,562,625			3,562,625	3,155,995			3,155,995
Financial liabilities	3,039,773	ii iii	400,000 (139,295)	3,300,478	3,039,773	ii iii	400,000 (139,295)	3,300,478
Trade payables	13,753			13,753	5,046			5,046
Other payables and accruals	92,813			92,813	67,680			67,680
Deferred tax liabilities	101,892			101,892	98,050			98,050
Employee benefit liability	5,818			5,818	-			-
Taxation	86,749			86,749	21,804			21,804
Total liabilities	6,903,423			7,164,128	6,388,348			6,649,053
Equity								
Issued share capital	4,670,544			4,670,544	4,670,544			4,670,544
Share premium	434,164			434,164	434,164			434,164
Revaluation reserve	1,595,299			1,595,299	1,595,299			1,595,299
Fair value reserve	61,491			61,491	271,985			271,985
Contingency reserve	1,952,489			1,952,489	1,920,595			1,920,595
Retained earnings	(4,970,239)	i, iii	(690,631)	(5,660,870)	(5,130,610)	i, iii	(690,631)	(5,821,241)
Shareholders' funds	3,743,748			3,053,117	3,761,977			3,071,346
Non controlling interest	111,126			111,126	-			-
	3,854,874			3,164,243	3,761,977			3,071,346
Total Liabilities and Equity	10,758,297			10,328,371	10,150,325			9,720,399

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017(b) Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Group			Company		
	As previously reported N'000	Note	Impact N'000	As restated N'000	As previously reported N'000	As restated N'000
Gross Premiums written	5,403,082			5,403,082	4,794,411	4,794,411
Change in unearned premium	(221,295)			(221,295)	(129,457)	(129,457)
Gross Premium Income	5,181,787			5,181,787	4,664,954	4,664,954
Reinsurance expenses	(1,583,763)			(1,583,763)	(1,553,185)	(1,553,185)
Net Premium Income	3,598,024			3,598,024	3,111,769	3,111,769
Fees and Commission Income	193,614			193,614	193,614	193,614
Net underwriting Income	3,791,638			3,791,638	3,305,383	3,305,383
Claims expense	(1,051,256)			(1,051,256)	(994,381)	(994,381)
Claims and benefit recoverable from reinsurers						
Change in contract liabilities						
Underwriting expenses	(1,034,831)			(1,034,831)	(944,938)	(944,938)
Net underwriting and claims expenses	(2,086,087)			(2,086,087)	(1,939,319)	(1,939,319)
Underwriting results	1,705,551			1,705,551	1,366,064	1,366,064
Investment income	146,550			146,550	129,671	129,671
Other income	145,753			145,753	145,114	145,114
Operating and administrative expenses	(3,397,085)	iii	139,295	(4,087,716)	(3,212,006)	(3,902,637)
Impairment loss on other receivables		i	(829,926)			
Interest on convertible bond	(212,441)			(212,441)	(212,441)	(212,441)
Impairment loss on trade receivables	(109,012)			(109,012)	-	-
Loss before taxation	(1,720,684)			(2,411,315)	(1,783,598)	(2,474,229)
Taxation	(138,986)			(138,986)	(105,000)	(105,000)
Loss after taxation	(1,859,670)			(2,550,301)	(1,888,598)	(2,579,229)
Other comprehensive income						
Items that are or may be reclassified to profit or loss:						
Net fair value gain/(loss) on available for sale financial assets	56,893			56,893	56,893	56,893
Foreign exchange translation (loss)/gain	(76,160)			(76,160)	-	-
Appreciation on investment in subsidiary (Note 14.2)	-			-	19,393	19,393
Items that will not be reclassified to profit or loss:						
Revaluation gain on property and equipment	-			-	-	-
Total comprehensive income for the year	(1,878,937)			(2,569,568)	(1,812,312)	(2,502,943)

N829 million is the aggregate of N400 million deposit for shares withdrawn after allotment and amounts of N429.926 million which were previously classified in error as investment now reclassified to other receivables. Details are given below:

	N'000
Reclassification of deposit for shares issued subsequently withdrawn by shareholder (Note 1.1)	400,000
Non interest bearing payment treated as investment (Note 1.2)	330,000
Reclassification of item not qualifying as investment (Note 1.2)	99,926
	429,926
TOTAL	829,926

The amount of inappropriately withdrawn deposit for shares as noted in note 27a.1 has been reclassified to other receivables and fully impaired.

Certain payments made to financial institutions totaling N429,926 million but which yielded no interest during the year and were also not confirmed by the financial institutions have been reclassified to other receivables and fully impaired.

Unrecorded borrowings

There were four unrecorded borrowings by the company in 2015 and 2016 totaling N400 million comprising three tranches of N100 million, N50 million and another N100 million in 2015 as well as a tranche of N150 million in 2016. The funds from the borrowings were either routed to other entities that were instructed to utilize the funds for the direct settlement of liabilities on behalf of the company or were inappropriately treated in the company's books. The borrowings were warehoused through the following entities and accounts:

	N'000
Nichegate Technologies Limited	100,000
Staco Co-operative	100,000
Directors Current Account	200,000
	400,000

The borrowings have now been restated to reflect the actual position as at 31 December, 2016.

Repayment and interest charged on loan

The amount of N238 million represents repayments on borrowings which has an interest element of N99 million. The total amount of N238 million was initially expensed. The principal repayment has been debited to borrowings which the interest has now been credited to reflect the true position as at 31 December, 2016.

STACO INSURANCE PLC

**STATEMENT OF VALUE ADDED STATEMENT- Group
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017		2016	
	N'000	%	N'000	%
Net premium written - Nigeria	3,874,917		3,111,769	
- Foreign	624,716		486,255	
Investment income - Nigeria	182,463		129,671	
- Foreign	46,721		16,879	
Other Income - Nigeria	446,990		145,114	
- Foreign	35,350		639	
Claims incurred, net commissions and operating expenses				
- Nigeria	(6,342,036)		(4,387,820)	
- Foreign	(148,758)		(148,758)	
Value added	(1,279,637)	100	(646,251)	100
Applied as follows:				
To pay employees				
salaries, wages and fringe benefits	965,505	(75)	893,460	(138)
To pay government				
Income tax	109,388	(9)	59,709	(9)
Education tax	-	-	-	-
To provide for future taxation				
Deferred taxation	(3,842)	0	(723)	-
To provide for enhancement of assets and growth				
Depreciation of property, plant and equipment	230,813	(18)	243,160	(38)
Amortisation of intangible assets	20,882	(2)	17,813	(3)
To augment contingency reserve	166,046	(13)	153,136	(24)
(Deplete)/augment reserves	(2,768,429)	216	(2,012,806)	312
	(1,279,637)	100	(646,251)	100

Note: Value added represent the additional wealth the company has been able to create by its own and employees efforts. This statement shows the allocation of that wealth among employees, providers of capital as well as government and that retained for future creation of more wealth.

STACO INSURANCE PLC

**STATEMENT OF VALUE ADDED STATEMENT- Company
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 N'000	%	2016 N'000	%
Net premium written - Nigeria	3,874,917		3,111,769	
- Foreign	-		-	
Investment income - Nigeria	182,463		129,671	
- Foreign	-		-	
Other Income - Nigeria	446,990		145,114	
- Foreign	-		-	
Claims incurred, net commissions and operating expenses - Nigeria	(3,693,444)		(4,154,227)	
- Foreign	-		-	
Value added	810,926	100	(767,673)	100
Applied as follows:				
To pay employees				
salaries, wages and fringe benefits	833,757	103	835,177	(109)
To pay government				
Income tax	35,000	4	25,000	(3)
Education tax	-	-	-	-
To provide for future taxation				
Deferred taxation	-	-	-	-
To provide for enhancement of assets and growth				
Depreciation of property, plant and equipment	219,706	27	233,640	(30)
Amortisation of intangible assets	18,165	2	17,813	(2)
To augment contingency reserve	166,046	20	153,136	(20)
(Deplete)/augment reserves	(461,748)	(56)	(2,032,439)	264
	810,926	100	(767,673)	100

Note: Value added represent the additional wealth the company has been able to create by its own and employees efforts. This statement shows the allocation of that wealth among employees, providers of capital as well as government and that retained for future creation of more wealth.

STACO INSURANCE PLC

FIVE YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2017- GROUP

	2017 N'000	2016 Restated N'000	2015 N'000	2014 N'000	2013 N'000
Assets					
Cash and cash equivalents	1,360,873	1,920,323	3,986,742	3,737,590	2,351,913
Financial assets	841,157	732,913	430,744	205,477	181,234
Trade receivables	347,200	224,920	109,331	75,682	147,361
Reinsurance assets	1,060,294	1,140,115	1,146,913	1,319,614	1,053,387
Other receivables	317,708	769,739	197,723	135,416	44,385
Deferred acquisition cost	161,135	249,914	249,328	204,344	335,398
Investment properties	1,520,000	1,520,000	1,480,000	1,480,000	1,480,000
Deferred asset	7,820	-	7,843	7,843	7,843
Intangible asset	60,105	69,921	97,991	73,059	94,919
Leased asset	212,847	272,123	301,517	225,959	191,336
Property, plant and equipment	3,004,624	3,128,403	2,631,695	2,385,034	2,333,063
Statutory deposit	300,000	300,000	300,000	300,000	300,000
Total assets	9,193,763	10,328,371	10,939,827	10,150,018	8,520,839
Due to banks	-	-	-	-	-
Insurance contract liabilities	3,701,877	3,562,625	3,413,563	3,249,665	3,315,845
Financial liabilities	4,444,846	3,300,478	2,128,187	1,712,956	1,676,974
Trade payables	104,773	13,753	94,230	4,248	3,227
Other payables	117,840	92,813	98,143	183,168	110,799
Deposit for shares	-	-	1,475,000	1,475,000	-
Cashbook overdrawn	-	-	69,252	-	-
Deferred tax liabilities	98,050	101,892	102,615	85,029	74,867
Employee benefit liability	6,027	5,818	1,306	1,151	707
Taxation	108,635	86,749	66,772	58,521	277,833
Total liabilities	8,582,048	7,164,128	7,449,068	6,769,738	5,460,253
Equity					
Issued share capital	4,670,544	4,670,544	3,070,544	3,070,544	3,070,544
Share premium	434,164	434,164	434,164	434,164	434,164
Revaluation reserve	1,595,299	1,595,299	1,030,606	998,718	889,400
Fair value reserve	163,938	61,491	4,598	29,895	46,794
Contingency reserve	2,118,535	1,952,489	1,799,353	1,613,738	1,425,938
Retained earnings	(8,538,831)	(5,660,870)	(2,881,273)	(2,767,363)	(2,792,805)
Shareholders'fund	443,649	3,053,117	3,457,992	3,379,695	3,074,035
Non controlling interest	168,066	111,126	32,767	585	(13,449)
Total equity	611,715	3,164,243	3,490,759	3,380,280	3,060,586
Total liabilities and equity	9,193,763	10,328,371	10,939,827	10,150,018	8,520,839
Statement of profit and loss and other comprehensive income					
Gross premiums written	5,753,037	5,403,082	6,187,201	6,259,980	5,915,648
Net insurance premium earned	4,499,633	3,598,024	4,683,245	4,658,186	5,083,057
Net fees and commission income	253,783	193,614	216,096	223,820	150,081
Net benefits and claims	(2,961,886)	(2,086,087)	(2,705,069)	(2,366,456)	(3,041,046)
Total underwriting profit	1,791,530	1,705,551	2,194,272	2,515,550	2,192,092
Investment and other income	711,524	292,303	364,124	310,119	704,130
Net income	2,503,054	1,997,854	2,558,396	2,825,669	2,896,222
Other expenses	(4,999,891)	(4,409,169)	(2,389,786)	(2,596,571)	(2,348,369)
Exceptional items	-	-	-	-	-
(Loss)/profit before taxation	(2,496,837)	(2,411,315)	168,610	229,098	547,853
Taxation	(105,546)	(138,986)	(84,287)	(44,325)	(83,686)
(Loss)/profit after taxation	(2,602,383)	(2,550,301)	84,323	184,773	464,167
Net fair value gain on available for sale financial	102,447	56,893	(25,297)	(16,899)	14,642
Foreign exchange translation gain/(loss)	(109,532)	(76,160)	(12,616)	28,468	14,043
Gain on revaluation reserve	-	341,552	-	-	-
Total comprehensive income for the year	(2,609,468)	(2,228,016)	46,410	196,342	492,852
Earning per share(kobo)					
- Basic	(28)	(24)	1	3	8
- Diluted	(28)	(24)	1	3	8

STACO INSURANCE PLC

FIVE YEARS FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2017- COMPANY

	2017 N'000	2016 Restated N'000	2015 N'000	2014 N'000	2013 N'000
Assets					
Cash and cash equivalents	976,660	1,656,736	3,534,447	3,480,170	2,284,829
Financial assets	392,074	303,077	297,965	139,858	126,048
Trade receivables	60,137	83,339	86,110	20,088	118,554
Reinsurance assets	1,060,294	1,140,115	1,128,114	1,315,944	1,053,387
Other receivables	203,979	751,883	180,253	130,963	37,746
Deferred acquisition cost	161,135	249,914	232,989	204,344	335,398
Investment in Subsidiary	327,936	285,227	265,834	74,733	74,733
Investment properties	1,520,000	1,520,000	1,480,000	1,480,000	1,480,000
Deferred tax assets	-	-	-	-	-
Leased assets	212,847	272,123	85,376	47,829	57,074
Property, plant and equipment	2,970,730	3,088,064	2,592,494	2,346,432	2,304,271
Intangible asset	56,000	69,921	301,517	225,959	191,336
Statutory deposit	300,000	300,000	300,000	300,000	300,000
Total assets	8,241,792	9,720,399	10,485,099	9,766,320	8,363,375
Liabilities and equity					
Investment contract liabilities	-	-	3,207,148	3,136,599	3,250,624
Insurance contract liabilities	3,299,495	3,155,995	2,124,405	1,704,679	1,665,596
Financial liabilities	4,444,846	3,300,478	-	-	-
Trade payables	87,653	5,046	2,085	4,248	3,227
Other payables	37,993	67,680	67,190	105,777	80,537
Deposit for shares	-	-	1,475,000	1,475,000	-
Cashbook overdrawn	-	-	69,252	-	-
Deferred tax liabilities	98,050	98,050	98,050	82,407	74,867
Employee benefit liability	-	-	-	-	-
Taxation	15,506	21,804	32,374	60,101	279,413
Total liabilities	7,983,543	6,649,053	7,075,504	6,568,811	5,354,264
Equity					
Issued share capital	4,670,544	4,670,544	3,070,544	3,070,544	3,070,544
Share premium	434,164	434,164	434,164	434,164	434,164
Revaluation reserve	1,595,299	1,595,299	1,030,606	998,718	889,400
Fair value reserve	417,141	271,985	195,699	29,895	46,794
Contingency reserve	2,077,338	1,920,595	1,776,763	1,604,858	1,425,938
Retained earnings	(8,936,237)	(5,821,241)	(3,098,181)	(2,940,670)	(2,857,729)
Total equity	258,249	3,071,346	3,409,595	3,197,509	3,009,111
Total liabilities and equity	8,241,792	9,720,399	10,485,099	9,766,320	8,363,375
Statement of profit and loss and other comprehensive income					
Gross premiums written	5,224,762	4,794,411	6,259,980	5,915,648	5,764,811
Net insurance premium earned	3,874,917	3,111,769	4,312,425	4,426,395	4,937,465
Net fees and commission income	243,127	193,614	216,096	223,820	150,081
Net benefits and claims	(2,991,920)	(1,939,319)	(2,584,294)	(2,318,778)	(2,958,097)
Total underwriting profit	1,126,124	1,366,064	1,944,227	2,331,437	2,129,449
Investment and other income	629,453	274,785	332,562	294,554	695,333
Net income	1,755,577	1,640,849	2,276,789	2,625,991	2,824,782
Other expenses	(4,678,830)	(4,115,078)	(2,214,450)	(2,488,308)	(2,254,765)
(Loss)/profit before taxation	(2,923,253)	(2,474,229)	62,339	137,683	570,017
Taxation	(35,000)	(105,000)	(47,946)	(41,703)	(88,683)
(Loss)/profit after taxation	(2,958,253)	(2,579,229)	14,393	95,980	481,334
Net fair value gain on available for sale financial assets	102,447	56,893	(25,297)	(16,899)	14,642
Gain on revaluation reserve	-	341,552	-	-	-
Appreciation on investment in subsidiary	42,709	19,393	191,101	-	-
Total comprehensive income for the year	(2,813,097)	(2,161,391)	180,197	79,081	495,976
Earning per share(kobo)					
- Basic	(30)	(23)	3	1	8
- Diluted	(30)	(23)	3	1	8