

STACO INSURANCE PLC

**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013**

STACO INSURANCE PLC

FINANCIAL HIGHLIGHTS

	Group 2013 N'000	Group 2012 N'000	Group Growth %	Company 2013 N'000	Company 2012 N'000	Company Growth %
MAJOR STATEMENT OF FINANCIAL POSITION						
Total assets	8,520,839	7,912,443	7.69	8,363,375	7,787,480	7.40
Shareholders' funds	3,074,035	2,406,183	27.76	3,009,111	2,338,135	28.70
Investments	1,661,234	1,424,610	16.61	1,680,781	1,470,889	14.27

MAJOR STATEMENT OF COMPREHENSIVE INCOME

Gross premium	5,915,648	6,904,679	(14.32)	5,764,811	6,800,387	(15.23)
Net premium earned	5,083,057	6,383,831	(20.38)	4,937,465	6,281,280	(21.39)
Investment income	154,808	93,597	65.40	146,249	85,376	71.30
Other income	549,322	1,004,919	(45.34)	549,084	1,004,907	(45.36)
Net underwriting and claims expenses	(3,041,046)	(3,311,095)	(8.16)	(2,958,097)	(3,289,053)	(10.06)
Profit/(loss) before taxation	547,853	342,906	(59.77)	570,017	310,760	(83.43)
Profit/(loss) after taxation	464,167	272,335	(70.44)	481,334	247,331	(94.61)

INFORMATION PER 50K ORDINARY SHARE

Earnings per share (kobo)	8	5	(62.80)	8	5	(76.92)
Net assets (kobo)	1.39	1.29	7.69	1	1	0.07
Stock exchange quotation (kobo) at 31 December	50	50	-	50	50	-
Price earning ratio	0.16	0.10	-	0	0	-
Number of 50k shares issued	6,141,088	6,141,088	-	6,141,088	6,141,088	-
Number of employees	488	379	-	456	347	-
Number of branches	19	19	-	19	19	-

STACO INSURANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

Legal form and Principal activities

The Company was incorporated on October 10, 1991 as a public limited liability company under the name of Standard Trust Assurance Plc (STACO) with Incorporation Number RC 167274. As a result of a discreet acquisition and restructuring carried out on Alpha Insurance Plc, Staco commenced Non-life insurance business on 1st October, 1994 having been duly licensed by the National insurance Commission (NAICOM) with Certificate of Registration Number 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

The Group is principally engaged in the provision of non life insurance business.

The Company has a partly owned (60%) subsidiary known as Staco Insurance Company (Sierra Leone) Limited. 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 businesses to retail and corporate customers in Sierra Leone, West Africa.

Operating results

The following is a summary of the Group operating results for the year ended 31 December 2013:

	Group 2013	Group 2012	Company 2013	Company 2012
	N'000	N'000	N'000	N'000
Profit before taxation	547,853	342,906	570,017	310,760
Taxation	(83,686)	(70,571)	(88,683)	(63,429)
Profit after taxation	464,167	272,335	481,334	247,331
Transfer to statutory contingency reserve	(172,944)	(204,771)	(172,944)	(204,771)
Non controlling interest	1,681	(9,998)	-	-
Transfer to retained earnings for the year	<u>292,904</u>	<u>57,567</u>	<u>308,390</u>	<u>42,560</u>

STACO INSURANCE PLC

DIRECTORS' REPORT (CON'TD) FOR THE YEAR ENDED 31 DECEMBER 2013

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 are as follows:

31 December 2013

Name of Director	Direct	Indirect	Total
Mr Oritsedere Otubu	399,265,480	-	399,265,480
Mr Sakiru Oyefeso	522,973,329	-	522,973,329
Mr Bayo Fakorede	1,570,000	-	1,570,000
Mr Pius Olarewaju	-	260,000,000	260,000,000
Mr Idaere Ogan	533,162	-	533,162
Mr Emmanuel Chiejina	19,230,554	-	19,230,554
Mr Collins Chikeluba	40,138,278	-	40,138,278
Mr Love Ojakovo	119,000,000	-	119,000,000
Mr Babatunde Okotoro	16,154,508	-	16,154,508

31 December 2012

Name of Director	Direct	Indirect	Total
Mr Oritsedere Otubu	399,265,480	-	399,265,480
Mr Sakiru Oyefeso	522,973,329	-	522,973,329
Mr Bayo Fakorede	1,570,000	-	1,570,000
Mr Pius Olarewaju	-	260,000,000	260,000,000
Mr Idaere Ogan	533,162	-	533,162
Mr Emmanuel Chiejina	19,230,554	-	19,230,554
Mr Collins Chikeluba	40,138,278	-	40,138,278
Mr Love Ojakovo	119,000,000	-	119,000,000
Mr Babatunde Okotoro	16,154,508	-	16,154,508

STACO INSURANCE PLC

DIRECTORS' REPORT (CON'TD) FOR THE YEAR ENDED 31 DECEMBER 2013

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, O.S Otubu and L.O Ojakovo 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 2013:

	2013 Number of shares	% Percentage	2012	% Percentage
Seaforce Investment Ltd	764,444,445	12.5	764,444,445	12.5
Mr S.O Oyefeso	522,973,329	8.5	522,973,329	8.5
Mr O.S. Otubu	399,265,480	6.5	399,265,480	6.5
Nigerian Citizens and Associations	4,454,404,355	72.5	4,454,404,355	72.5
Total	6,141,087,609	100	6,141,087,609	100

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 2013.

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 N14,651,050 (2012- N2,700,000) during the year as follows:

	N
Fidau prayer for late Alh. S. A Shittu	3,000,000
Donation to Jamiyat Lutfillahi Int'l Society	2,650,000
Donation to mosque (sadaqat) for ramadan	650,000
Donation to alfa and others during ramadan	1,200,000
Donation to muslim community Aiyeye(lagos branch)	300,000
Others	6,851,050
	14,651,050

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 2013

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 2012 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

Taiwo Ogunbajo

Ag. Company Secretary
FRC/2013/CIBN/00000003975

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STACO Management's Comment and Analysis for the year ended 31 December 2013

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, 2013. 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 top five insurance companies in Nigeria by the year 2015. 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 (CON'TD)
for the year ended 31 December 2013**

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

Performance Indicators

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

	GROUP			COMPANY		
	2013	2012	Change	2013	2012	Change
	N'000	N'000	%	N'000	N'000	%
Gross written premium	5,915,648	6,904,679	-14.32%	5,764,811	6,800,387	15.20%
Net premium earned	5,083,057	6,383,831	-20.38%	4,937,465	6,281,280	21.30%
Underwriting results	2,192,092	3,206,826	-31.64%	2,129,449	3,126,317	-31.89%
Investment income	154,808	93,597	65.40%	146,249	85,376	71.30%
Operating expenses	(2,119,945)	(2,232,786)	-5.05%	(2,059,433)	(2,176,190)	-5.37%
Profit before tax	547,853	342,906	59.77%	570,017	310,760	83.43%
Earning per share (k)	8	5	60%	8	5	60%

There was a decline of 14.32% in gross written premium in 2013 over 2012 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 some minimal effect on the net premium income from N6,383,831,000 to N5,083,056,000.

Group underwriting result also decreased to N2,192,092,000 from N3,206,826,000.

Investment Income: The Group's investment income increased from N93.59 million in 2012 to N154.80 million in 2013 representing an increase of 65.4%.

STACO Management's Comment and Analysis (CON'TD) for the year ended 31 December 2013

Operating expenses: The Group's operating expenses summed up to N1.09 billion.

Cash and cash equivalents: As at 31st December 2013, the Group had N1.3billion in the cash and cash equivalents, including short-term deposits of N832million with maturity of not more than three months.

Liquidity, capital resources and risk factors

As at 31st December 2013, the Group had N1.3billion (2012: N1.81billion) in net cash reserves. The Company's cash investment is in accordance with its investments policy and complies with the regulatory requirements. The company's investment strategy is influenced by a focus on highly liquid financial instruments such as term deposit, equity and debt instruments. At the end of December 2013, the Group had approximately N1.78 billion invested in fixed income and N1.81 million in equity instruments.

Forward looking statements

This MC&A contains expectations, estimates, forecasts, projections and targets which the group should attain provided all other factors end up being equal. Experience has however shown that projections, expectations, etc. are subject to risks and uncertainties that result in actual achievements being different from projections. This is buttressed by the use of words like "anticipate", "believe", "estimate", "expect", "may", "plan", "project", "should", "will", or the adverse variants of such which appear within the body of this document.

Without prejudice to the group, such projections, expectations, estimates, forecasts and targets reflect management's current belief and are based on available information which are subject to risks and uncertainties as identified. Therefore the eventual action and/or outcome could differ materially/immaterially from those expressed or implied.

The forward looking statements, which are subject to change after 31 December, 2013 reflect the group's expectations as at the time the Board of Directors approved this document. No obligation is undertaken by the group to update this document publicly or to review the forward looking statements unless required by law.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity:

These financial statements are the consolidated financial statements of Staco Insurance Plc, a company incorporated in Nigeria and its subsidiaries (hereafter referred to as 'the Group').

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 issuance of these Group consolidated financial statement were authorised by the Board of Directors on 31 July 2014.

The principal activities of the Group is mainly the underwriting of non -life businesses insurance risks.

The consolidated financial statement for the year ended 31 December 2012 were approved for issue by the board of Directors on 31 July 2014.

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 Million, 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.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

As at December 31, 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statement of the group, except the following set out below:

(i) IFRS 9 Financial Instruments- classification and measurement (effective January 1, 2015)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial asset, IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within the business model whose objective is to hold assets in order to collect contractual cash flows, and the asset contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale, loans and receivables. For an investment in equity instrument which is not Held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share by share basis to present all fair value changes from the investment in other comprehensive income.

No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investment are recognised in profit or loss, rather than other comprehensive unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instrument in respect of which an equity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

(ii) Amendments to IAS 32- Financial Instruments: Presentation (effective January 1, 2014)

The IASB has issued amendments to the application guidance in IAS 32, 'financial instruments: Presentation' that clarify some of the requirements for offsetting financial assets and liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statements of financial position continue to be different from generally, accepted Accounting Practice in the United States of America.

(c) New standards and amend issued and effective for the financial year beginning January 1, 2013 and has no impact on the financial statement of the Group

Standard	Content	Applicable for financial year beginning/after
IFRS 1	First time adoption of IFRS	1 January 2013
IAS 1	Presentation of financial statements	1 January 2013
IAS 16	Property, plant and equipment	1 January 2013
IAS 34	Interim financial reporting	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 1 First time adoption of IFRS (Amendment)

The amendment clarifies that an entity may apply IFRS1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transaction or from an earlier date. Lastly the amendment clarify that a first-time adopter should provide the supporting notes for all statements presented.

IAS 1 Presentation of financial statements (Amendment)

The amendment clarifies the disclosure requirements for comparative information when the entity provides a third statement of financial position either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors', or voluntarily. In addition the standard also requires a disclosure of items in other comprehensive income that will be transferred to the profit or loss statement and those that would not be transferred.

IAS 16 Property, plant and equipment (Amendment)

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

IAS 34 Interim financial reporting (Amendment)

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

IFRIC 20 Stripping cost in the production phase of a surface mine (Amendment)

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain to mineral ore deposits. This waste removal activity is known as stripping'. The interpretation clarifies there can be two benefits accruing to an entity from further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

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 has adopted the following new standards and amendments to standards,including any consequential amendments to other standards with a date of initial applications of January 1 2013.

IFRS 10	Consolidated Financial Statements (2011)
IFRS 12	
IFRS 13	Fair value measurement
IAS 1 (Amendment)	Presentation of items of other compreehensive income
IAS 19	Employment benefit

IFRS 10: Subsidiaries

As a result of IFRS 10, the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entitiles.IFRS 10 introduces a new control model that focuses on whether the Group has power an investee,exposure or rights to variables returns from its involvements with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10,the Group re-assessed its control conclusions as of January 01 2013 and this did not result in any change in accounting policy did not have material impact on the Group Financial Statements.

IFRS 12: Interest in other entities

As a result of IFRS 12,the Group has expanded expanded disclosures about its interest in its subsidiary.

IFRS 12: Disclosure of interest in other entities

This standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. The standard becomes effective for annual periods beginning on or after 1 January 2013.The impact of the new standard is about the additional requirement to disclose the judgement madeto determine whether it control another entity.

IFRS 13: Fair value measurment

In accordance with the transitional provision of IFRS 13,the Group has applied the new definition of fair value.The change has no significant impact on the measurement of the Group assets and liabilities,but Group has included new disclosure in the financial statements which are required under IFRS 13.

Presentation of items of other comprehensive income

As a result of the amendments to IAS 1,the Group has modified the presentation of items of other comprehensive income in its statements of profit or loss and other comprehensive income,to present items that would be reclassified to profit or loss in the future separately from those that would never be.Comparative information has been re-presented on the same basis.

IAS 19: Post employee benefits

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group has changed its accounting policy with respect to the basis for determining the income or expenses related to its defined plans.

Under IAS 19,the Group determines the net interest expenses on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then net defined benefit liability taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.The change does not have a material impact on the Group's financial statements.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, as described in (5.3.4) 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)

5.12 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after 1 January 2011.

Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognized in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in profit or loss.

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsequent costs

The cost of replacing a part of an item of property, plant and 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 Company, 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, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives (cum depreciation rates) for the current and comparative periods are as follows:

Land	Over the lease period
Buildings	50 years
Plant and machinery	10 years
Office equipment	10 years
Motor Vehicle	5 years
Fixtures and fittings	10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Estimates in respect of certain items.

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.

STACO INSURANCE PLC

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.

Amortization is calculated using the straight line method to write down the cost of each intangible asset to its residual value over its estimated useful life or the licence term.

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 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 month after the date of the statement of financial position.

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

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

5.19 Employee benefit liability

Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value

STACO INSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

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.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

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 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group 31 December 2013 N'000	Group 31 December 2012 N'000	Company 31 December 2013 N'000	Company 31 December 2012 N'000
ASSETS	Note				
Cash and cash equivalents	8	2,351,913	1,894,490	2,284,829	1,815,962
Financial assets	9	181,234	124,610	126,048	96,156
Trade receivables	10	147,361	941,188	118,554	922,600
Reinsurance assets	11	1,053,387	1,007,196	1,053,387	1,007,196
Other receivables and prepayments	12	44,385	59,207	37,746	56,353
Deferred acquisition cost	13	335,398	424,782	335,398	424,782
Investment in subsidiary	14	-	-	74,733	74,733
Investment properties	15	1,480,000	1,300,000	1,480,000	1,300,000
Deffered tax assets	16.1	7,843	2,846	-	-
Leased assets	17	191,336	217,503	191,336	217,503
Property ,plant and equipment	18	2,333,063	1,546,481	2,304,271	1,528,515
Statutory deposit	19	300,000	300,000	300,000	300,000
Intangible asset	20	94,919	94,140	57,074	43,680
Total assets		8,520,839	7,912,443	8,363,375	7,787,480
LIABILITIES					
Insurance contract liabilities	21	3,315,845	3,291,465	3,250,624	3,234,951
Financial Liabilities	22	1,676,974	1,571,118	1,665,596	1,569,606
Trade payables	23	3,227	-	3,227	-
Other payables	24	110,799	249,850	80,537	238,984
Cashbook overdrawn	25	-	85,746	-	85,746
Deferred tax liabilities	16.1	74,867	65,535	74,867	65,535
Employee benefit liability	26	707	238	-	-
Taxation	27	277,833	257,438	279,413	254,523
Total liabilities		5,460,253	5,521,390	5,354,264	5,449,345
EQUITY	28				
Issued share capital	28a	3,070,544	3,070,544	3,070,544	3,070,544
Share premium	28b	434,164	434,164	434,164	434,164
Revaluation reserve	28c	889,400	714,400	889,400	714,400
Fair value reserve	28d	46,794	32,152	46,794	32,152
Contingency reserve	28e	1,425,938	1,252,994	1,425,938	1,252,994
Retained earnings	28f	(2,792,805)	(3,098,071)	(2,857,729)	(3,166,119)
Shareholders' funds		3,074,035	2,406,183	3,009,111	2,338,135
Non controlling interest	28g	(13,449)	(15,130)	-	-
		3,060,586	2,391,053	3,009,111	2,338,135
Total Liabilities and Equity		8,520,839	7,912,443	8,363,375	7,787,480

Approved by the Board of Directors on **31 July 2014**.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY :

.....
Jaiye Fatungase
Chief Financial Officer
FRC/2013/ICAN/00000001698

.....
Sakiru Oyefeso
Group Managing Director (CEO)
FRC/2013/CIIN/00000003111

.....
Oritsedere Otubu
Chairman
FRC/2013/IODN/00000004695

The statement of significant accounting policies on pages 17 to 41 and the accompanying notes on pages 46 to 105 form part of these financial statement.

STACO INSURANCE PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		Group 31 December 2013 N'000	Group 31 December 2012 N'000	Company 31 December 2013 N'000	Company 31 December 2012 N'000
Gross Premiums written	29	5,915,648	6,904,679	5,764,811	6,800,387
Gross Premium Income	29a	5,877,867	6,848,759	5,732,275	6,742,952
Reinsurance expenses	29b	(794,810)	(464,928)	(794,810)	(461,672)
Net Premium Income	29	5,083,057	6,383,831	4,937,465	6,281,280
Fees and Commission Income	30	150,081	134,090	150,081	134,090
Net underwriting Income		5,233,138	6,517,922	5,087,546	6,415,371
Claims expense	31	(1,477,357)	(1,878,874)	(1,394,408)	(1,868,587)
Underwriting expenses	32	(1,563,689)	(1,432,221)	(1,563,689)	(1,420,466)
Net underwriting and claims expenses		(3,041,046)	(3,311,095)	(2,958,097)	(3,289,053)
Underwriting results	7	2,192,092	3,206,826	2,129,449	3,126,317
Investment income	33	154,808	93,597	146,249	85,376
Net realised gain/(loss) on financial assets	34	-	(59,335)	-	(59,335)
Other income	35	549,322	1,004,919	549,084	1,004,907
Operating and administrative expenses	36	(2,119,945)	(2,232,786)	(2,059,433)	(2,176,190)
Interest on convertible bond	37	(195,332)	(67,226)	(195,332)	(67,226)
Impairment loss on trade receivables	38	(33,092)	(1,603,088)	-	(1,603,088)
Profit before taxation		547,853	342,906	570,017	310,760
Taxation	27.1	(83,686)	(70,571)	(88,683)	(63,429)
Profit after taxation		464,167	272,335	481,334	247,331
Other comprehensive income					
Net fair value gain on available for sale financial assets	28e	14,642	32,152	14,642	32,152
Foreign exchange translation gain/(loss)	28f	14,043	(1,745)	-	855
Total comprehensive income/(loss) for the year		492,852	302,742	495,976	280,338
Profit/(Loss) attributable to:					
Owner of equity		462,486	282,333	481,334	247,331
Non controlling interest		1,681	(9,998)	-	-
		464,167	272,335	481,334	247,331
Total comprehensive income/(loss) attributable to :					
Owner of equity		491,171	312,740	495,976	280,338
Non controlling interest		1,681	(9,998)	-	-
		492,852	302,742	495,976	280,338
Earning per share(kobo)					
- Actual		8	5	8	5
- Adjusted		8	5	8	5

The statement of significant accounting policies on pages 17 to 41 and the accompanying notes on pages 46 to 105 form part of these financial statements.

STACO INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013	3,070,544	434,164	714,400	32,152	1,252,994	(3,098,071)	(15,130)	2,391,053
Total comprehensive income for the year	-	-	-	14,642	-	-	-	14,642
Issue of share capital	-	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	172,944	(172,944)	-	-
Transfer from (to) retained earning	-	-	-	-	-	464,167	-	464,167
Translation reserve	-	-	-	-	-	14,043	-	14,043
Transfer from (to) non controlling interest	-	-	-	-	-	-	1,681	1,681
Dividend	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	175,000	-	-	-	-	175,000
Balance as at 31 December 2013	<u>3,070,544</u>	<u>434,164</u>	<u>889,400</u>	<u>46,794</u>	<u>1,425,938</u>	<u>(2,792,805)</u>	<u>(13,449)</u>	<u>3,060,586</u>

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 2013	3,070,544	434,164	714,400	32,152	1,252,994	(3,166,119)	2,338,135
Total comprehensive income for the year	-	-	-	14,642	-	-	14,642
Issue of share capital	-	-	-	-	-	-	-
Transfer to contingency reserve	-	-	-	-	172,944	(172,944)	-
Transfer from (to) retained earning	-	-	-	-	-	481,334	481,334
Dividend	-	-	-	-	-	-	-
Revaluation surplus	-	-	175,000	-	-	-	175,000
Balance as at 31 December 2013	<u>3,070,544</u>	<u>434,164</u>	<u>889,400</u>	<u>46,794</u>	<u>1,425,938</u>	<u>(2,857,729)</u>	<u>3,009,111</u>

STACO INSURANCE PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

		Group 31 December 2013 N'000	Group 31 December 2012 N'000	Company 31 December 2013 N'000	Company 31 December 2012 N'000
Cash flow from operating activities	Note				
Premium received from policy holders		7,250,904	8,168,824	7,106,735	8,047,449
Reinsurance receipts in respect of claims		(460,388)	(988,666)	(460,388)	(988,666)
Reinsurance cost		(794,810)	(464,928)	(794,810)	(461,672)
Cash paid to and on behalf of employees		(1,090,345)	(1,056,265)	(1,083,424)	(1,052,094)
Other operating cash payments/receipts		(2,271,509)	(2,711,019)	(1,726,862)	(2,646,752)
Claims paid		(1,477,357)	(1,878,874)	(1,871,658)	(1,868,587)
Tax paid		(56,041)	(35,650)	(54,461)	(35,650)
Net cash provided by operating activities	44	1,100,454	1,033,422	1,115,132	994,028
Cash flow from investing activities					
Purchase of property, plant and equipment	18	(747,608)	(65,535)	(732,418)	(56,600)
Purchase of intangible asset		(29,086)	-	(29,086)	-
Dividend received		2,107	1,868	2,107	1,868
Interest received		111,445	38,603	102,886	38,603
Net cash provided by investing activities		(663,142)	(25,064)	(656,511)	(16,129)
Cash flow from financing activities					
Change in borrowings		105,858	(804,877)	95,990	(806,202)
Issue of Share Capital		-	-	-	-
Share premium		-	-	-	-
Net cash used in financing activities		105,858	(804,877)	95,990	(806,202)
Net increase/(decrease) in cash and cash equivalents		543,170	203,481	554,613	171,696
Cash and cash equivalents at the beginning of the year		1,808,744	1,605,265	1,730,215	1,558,519
Cash and cash equivalents at the end of the year		2,351,913	1,808,744	2,284,828	1,730,215
Represented by:					
Cash at bank and in hand	8	2,351,913	1,894,490	2,284,829	1,815,962
Cashbook overdrawn		-	(85,746)	-	(85,746)
		2,351,913	1,808,744	2,284,829	1,730,216

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

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	2013		2012	
	N'000		N'000	
	MARKET PRICE	%	MARKET PRICE	%
BANKING	82,720.57	84.95%	71,463.80	73.39%
HOUSEHOLD	3,256.60	3.34%	2,645.28	2.72%
FOOD PRODUCT	6,360.46	6.53%	3,985.49	4.09%
BREWERS/DISTILLERS	3,284.98	3.37%	3,341.38	3.43%
IND GOODS	862.92	0.89%	753.83	0.77%
OIL AND GAS	884.76	0.91%	538.88	0.55%
TOTAL	97,370.29		82,728.66	

STOP 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	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	%GAIN/LOSS	BENCH MARK
BANKING	71,487.79	82,448.51	15.51%	A
BANKING	5.58	9.43	69.10%	B
INSURANCE	141.04	262.63	86.21%	C
HOUSEHOLD	2,645.28	3,256.60	23.11%	A
FOOD PRODUCT	3,985.49	6,360.46	59.59%	A
BREWERS/DISTILLERS	3,341.38	3,284.98	-1.69%	A
IND GOODS	753.83	862.92	14.47%	A
OIL AND GAS	538.88	884.76	64.18%	A
	82,899.28	97,370.29		

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 Balances N'000	Available for Sale N'000	Total N'000
Dollars	529,209		529,209
Euro	7,133	-	7,133
Pounds	430	-	430
	536,773	-	536,773

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 tables details the effect on the profit as at 31st, December 2013 from a N156.1/\$ closing rate favorable change in US dollars against the naira with all other variables held constant.

	Increase by 2% N'000	Increase by 5% N'000	Decrease by 2% N'000	Decrease by 5% N'000
Financial Assets				
Cash and Cash Equivalent	10,584.19	26,460.47	(10,584.19)	(26,460.47)
Available for Sale	-	-	-	-
Impact on Financial Assets before tax	10,584.19	26,460.47	(10,584.19)	(26,460.47)
Impact on Financial Assets after tax	7,408.93	18,522.33	(7,408.932)	(18,522.331)

The following tables details the effect on the profit as at 31st, December 2012 from a N203.97/£ closing rate favorable change in Euro against the naira with all other variables held constant.

	Increase by 2% N'000	Increase by 5% N'000	Decrease by 2% N'000	Decrease by 5% N'000
Financial Assets				
Cash and Cash Equivalent	142.66	356.66	(142.66)	(356.66)
Available for Sale	-	-	-	-
Impact on Financial Assets before tax	142.66	356.66	(142.66)	(356.66)
Impact on Financial Assets after tax	99.86	249.66	(99.86)	(249.66)

The following tables details the effect on the profit as at 31st, December 2012 from a N252.10/£ closing rate favorable change in Pounds against the naira with all other variables held constant.

	Increase by 2% N'000	Increase by 5% N'000	Decrease by 2% N'000	Decrease by 5% N'000
Financial Assets				
Cash and Cash Equivalent	8.61	21.52	(8.61)	(21.52)
Available for Sale	-	-	-	-
Impact on Financial Assets before tax	8.61	21.52	(8.61)	(21.52)
Impact on Financial Assets after tax	6.02	15.06	(6.02)	(15.06)

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 2013

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 2013, 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 2013				
Interest earning assets				
Cash and cash equivalent	2,224,647		-	2,224,647
Financial Assets	121,597	2,691	1,759	126,047
Total Interest earning assets	2,346,244	2,691	1,759	2,350,694
Interest bearing Liabilities				
Bank Borrowings	-	-	-	-
Other liabilities	-	-	1,811,314	1,811,314
Total Interest bearing Liabilities	-	-	1,811,314	1,811,314
Gap (Asset - Liabilities)	2,346,244	2,691	(1,809,555)	539,380
Cummulative Gap	2,346,244	2,348,936	539,380	
Increase by 100bp	195,520	224	(150,796)	
Increase by 500bp	977,601.86	1,121.29	(753,981.43)	
Decrease by 100bp	(195,520.37)	(224.26)	150,796.29	
Decrease by 500bp	(977,601.86)	(1,121.29)	753,981.43	
	0-6months N'000	Maturity Profile 6-12months N'000	above 12mths N'000	Carrying Amount N'000
As at 31 December 2012				
Interest earning assets				
Cash and cash equivalent	1,799,633	16,329	-	1,815,962
Financial Assets			96,156	96,156
Total Interest earning assets	1,799,633	16,329	96,156	1,912,119
Interest bearing Liabilities				
Bank Borrowings	85,746			85,746
Other liabilities			1,569,606	1,569,606
Total Interest bearing Liabilities	85,746	-	1,569,606	1,655,352
Gap (Asset - Liabilities)	1,713,887	16,329	(1,473,450)	256,767
Cummulative Gap	1,713,887	1,730,216	256,767	
Increase by 100bp	142,824	1,361	(122,787)	
Increase by 500bp	714,120	6,804	(613,937)	
Decrease by 100bp	(142,824)	(1,361)	122,787	
Decrease by 500bp	(714,120)	(6,804)	613,937	

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

	Carrying Amount N'000	0-6months N'000	6-12months N'000	Above 12months N'000
FINANCIAL ASSETS				
Cash and cash equivalent	2,224,648	2,224,648	-	-
Trade and other receivables	312,554	258,111	16,573.83	37,869.75
Loan & receivables	18,676	14,226	2,691	1,759
Investment Securities				
Held to Maturity	10,000	10,000		
Financial assets - Available for sale	97,371	97,371		-
Total Assets	2,663,249	2,604,355	19,265	39,629
FINANCIAL LIABILITIES				
Trade and other payables	13,113	5,011.71	8,101.31	
Insurance contract liabilities	3,992,563	2,304,083.40	1,464,307.67	224,171.75
Borrowings	1,811,314	-		1,811,314
Other liabilities	65,535			65,535
Total Liabilities	5,882,525	2,309,095	1,472,409	2,101,021
Gap (Assets - Liabilities)	(3,219,276)	295,260	(1,453,144)	(2,061,392)
Cumulative financial assets over financial liabilities	(3,219,276)	295,260	(1,157,884)	(3,219,276)
Financial Asset to financial liabilities		1.13	0.01	0.02

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'TD)

As at 31 December 2012

	Carrying Amount N'000	0-6months N'000	6-12months N'000	Maturity Profile Above 12months N'000
FINANCIAL ASSETS				
Cash and cash equivalent	1,815,962	1,799,633	16,329	-
Trade and other receivables	1,932,146	1,595,587	102,456	234,103
Loan & receivables	56,353	42,926	5,307	8,120
Investment Securities				
Held to Maturity	-	-	-	-
Financial assets - Available for sale	82,729	82,729	-	-
Total Assets	3,887,191	3,520,875	124,092	242,223
FINANCIAL LIABILITIES				
Trade and other payables	238,983	91,338	147,645	-
Insurance contract liabilities	3,234,951	1,866,870	1,186,447	181,634
Borrowings	1,569,606	-	1,569,606	-
Other liabilities	151,281	85,746	-	65,535
Total Liabilities	5,194,821	2,043,954	2,903,698	247,169
Gap (Assets - Liabilities)	(1,307,631)	1,476,921	(2,779,606)	(4,946)
Cumulative financial assets over financial liabilities		1,476,921	(1,302,685)	(1,307,631)
Financial Asset to financial liabilities		1.72	0.04	0.98

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'TD)

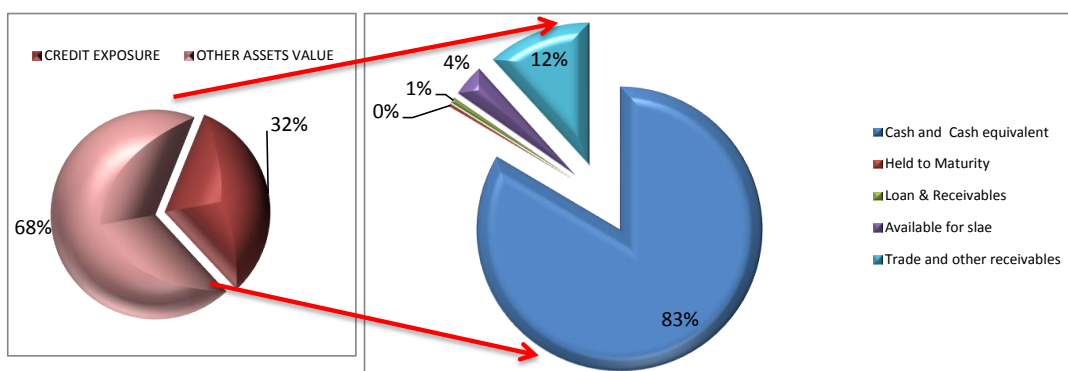
CREDIT RISK MANAGEMENT

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, 2013 is as follows:

MAXIMUM EXPOSURE TO CREDIT

	2013	2012
Cash and Cash equivalent	2,224,647.48	1,815,962.38
Held to Maturity	10,000.00	-
Loan & Receivables	18,676.27	56,353.00
Available for sale	97,370.63	82,729.00
Trade and other receivables	312,554.26	1,932,146.23
CREDIT EXPOSURE	2,663,248.63	3,887,190.61
OTHER ASSETS VALUE	5,661,916.02	7,787,480.00
TOTAL	8,325,164.65	11,674,670.61

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

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 2013 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, 2013 is summarised as below;

Asset carrying Amount as at year end 2013	1,877,895.26
Total Present Value of Estimated Future cashflow	274,807.26
Impairment Loss	<u>1,603,088.00</u>

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

PRODUCTS	<u>GROSS SUM</u>	<u>TREATY SUM</u>	<u>NET SUM</u>
	<u>INSURED</u>	<u>INSURED</u>	<u>INSURED</u>
	N'000	N'000	N'000
Fire	340,248,763	149,695,118	190,553,645
Engineering	59,357,830	18,057,736	41,300,094
Marine Cargo	59,315,711	33,469,959	25,845,752
Marine Hull	20,134,448	12,466,552	7,667,896
Bond	2,610,767	1,305,384	1,305,383
	<u>481,667,519</u>	<u>214,994,749</u>	<u>266,672,770</u>

The Gross sum-insured relates to treaty portfolio only.

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'TD)

CLAIMS MANAGEMENT RISK

As at 31, December 2013

CLASS OF BUSINESS	OUTSTANDING CLAIM RESERVE N'000	INCURRED BUT NOT REPORTED N'000	GROSS OUTSTANDING CLAIMS N'000
Accident	299,972.80	29,997	329,970
Fire	557,860.68	55,786	613,647
Marine	123,881.46	12,388	136,270
Motor	261,136.19	26,114	287,250
Bond	12,850.00	1,285	14,135
Aviation	169.44	17	186
Oil & Gas	342,645.45	34,265	376,910
TOTAL	1,598,516.02	159,851.60	1,758,368

STACO INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 (5) underwriting years. Based on the Company's 2012 Actual valuation report, the Group has adopted N3.24 billion, which is made up of N1.84billion for Gross claim reserve and N1.40billion 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)					
	1	2	3	4	5	6
2007	154,124,087	36,316,876	23,149,859	8,604,411	2,000,000	
2008	276,598,640	65,176,045	20,557,652	10,596,397	3,356,766	
2009	291,090,326	57,120,436	23,596,352	12,395,746		
2010	285,753,446	62,792,316	26,644,449			
2011	285,724,775	62,786,016				
2012	344,913,165					

