FINAL

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS,
31 DECEMBER 2013

BDO

MUTUAL BENEFITS LIFE ASSURANCE LIMITED AND ITS SUBSIDIARY COMPANIES

Introduction

Mutual Benefits Life Assurance Limited Financial statements comply with the applicable legal requirements of the Companies and Allied Matters Act regarding financial statements and comprises Consolidated and Separate Financial Statements for the year ended 31 December 2013. The consolidated financial statements have been prepared in compliance with IAS 1, 'Presentation of financial statements' issued by the International Accounting Standards Board.

Contents

Corporate information

Country of incorporation and domicile	Nigeria
Company registration number	**RC: 681998**
Nature of business and principal activities	The principal activity of the Company is the provision of Life Assurance, Annuity and Mortgage Protection
Directors	Akin A. Ogunbiyi Adesoye Olatunji Gbenga Ogunko Segun Omosehin Femi Asenuga
Secretary	Babajide Ibitayo (Esq) FRC/2013/NBA/0000003123
Registered Office	233, Ikorodu Road, Ilupeju, Lagos.
Bankers	Access Bank Plc Eco Bank Plc Enterprise Bank Limited Fidelity Bank Plc First Bank Limited First City Monument Bank Plc Zenith Bank Plc Sterling Bank Plc Safe Trust Savings and Loan Limited Mutual Micro Finance Bank Limited Unity Bank Plc
Auditors	BDO Professional Services (Chartered Accountants) ADOL House, 15 CIPM Avenue Central Business District Alausa, Ikeja, Lagos. P.O.Box 4929,GPO, Marina Lagos. www.bdo-ng.com

Results at a glance

	Group			Company		
	31 December 2013 N'000	31 December 2012 N'000	%	31 December 2013 N'000	31 December 2012 N'000	%
Gross premium written	2,534,143	2,700,936	(6)	2,534,143	2,700,936	(6)
Gross premium income	2,170,345	2,675,919	(19)	2,170,345	2,675,919	(19)
Net underwriting income	2,146,070	2,612,524	(18)	2,146,070	2,612,524	(18)
Net claims expenses	(1,038,357)	(1,327,750)	(22)	(1,038,357)	(1,327,750)	(22)
Underwriting expenses	(438,027)	(397,274)	10	(438,027)	(397,274)	10
(Loss)/profit before tax	(536,955)	211,128	(354)	126,693	146,078	(13)
Tax expense	(93,367)	(64,627)	44	(49,273)	(20,050)	146
(Loss)/profit after tax	(630,322)	146,501	(530)	77,420	126,028	(39)
Total assets	20,471,929	15,023,925	36	20,181,393	15,160,901	33
Insurance contract liabilities	1,704,176	2,163,841	(21)	1,704,176	2,163,842	(21)
Investment contract liabilities	14,927,699	10,097,239	48	14,927,699	10,097,239	48
Shareholders funds	435,990	1,069,739	(59)	2,567,357	2,489,937	3
(Loss)/Earnings per share (Kobo)	(420)	98	(530)	52	84	(39)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in relation to the Financial Statements for the year ended 31 December 2013.

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Insurance Act CAP I17, LFN, 2004 and National Insurance Commission's operational guidelines 2011, the Directors are responsible for the preparation of annual financial statements which reflect a true and fair view of the state of affairs of the Group and the profit or loss and other comprehensive income for the financial year.

The Directors responsibilities include ensuring that the Group:

i. implements appropriate internal controls to secure the assets of the Group, prevent and detect fraud and other financial irregularities

ii. the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act CAP C20, LFN 2004, Insurance Act CAP I17, LFN, 2004, and NAICOM Operational Guidelines and Circulars.

iii. the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

The Directors accept responsibility for maintaining adequate accounting records as required by:

a. International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
b. Companies and Allied Matters Act, CAP C20, LFN 2004;
c. Insurance Act, CAP I17, LFN 2004;
d. NAICOM Operational Guidelines and circulars.

The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs of the Group and of the loss for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Group and its subsidiaries will not remain going concerns for at least 12 (twelve) months from the date of approval of the financial statements.

....	....	....
Mr. Omosehin Olusegun	*Mr. Femi Asenuga*	Mr. Amusa Lateef
Director	*Managing Director*	*Chief Finance Officer*
FRC/2013/CIIN/00000003103	*FRC/2013/CIIN/00000003104*	*FRC/2013/ICAN/00000002486*

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER, 2013

The Directors are pleased to present their Annual Report on the affairs of the Group together with the Audited Financial Statements and the Auditor's report for the year ended 31st December 2013.

LEGAL FORM AND PRINCIPAL ACTIVITY

The Parent Company was incorporated on 20th February 2007 as a Private Limited Liability Company and issued with a license to carry on Life Insurance Business by the National Insurance Commission in November 2007.

The Group's principal activities continues to be the provision of Life Insurance cover and risk management solutions, Microfinance services and provision of real estate construction and services to corporate and retail customers.

2. OPERATING RESULTS

The following is a summary of the Group's operating results for the period under review

	Group		Company	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
(Loss)/profit before tax	(536,955)	211,128	126,693	146,078
Income tax expense	(93,367)	(64,627)	(49,273)	(20,050)
Loss after tax transferred to retained earnings	(630,322)	146,501	77,420	126,028
Profit attributable to non-controlling interest	3,427	6,307	-	-
Retained earnings at the beginning of the year	(1,124,765)	(1,237,950)	295,433	196,414
Transfer to contingency reserve	(25,341)	(27,009)	(25,341)	(27,009)
Retained earnings at the end of the year	(1,783,855)	(1,124,765)	347,512	295,433
Earnings per share - Basic (Kobo)	(420)	98	52	84

3 DIRECTORS AND THEIR INTERESTS

The interests of Directors in the issued share capital of the Parent Company as recorded in the register of Directors shareholding and/or as notified by the Directors for the purposes of section 275 and 276 of the Companies and Allied Matters Act Cap. C20, Laws of the Federation of Nigeria 2004.

Akin Ogunbiyi 1,000,000 units

4 RETIREMENT OF DIRECTORS

No Director retired from the Board of the Company during the year under review

5. APPOINTMENT OF DIRECTORS

The Company did not appoint any director during this period

6. DIRECTORS' REMUNERATION

The remuneration of the Parent Company's Directors is as follows:

Remuneration	Description	Timing
Basic Salary	Part of gross salary package for Executive Directors only. Reflects the insurance industry competitive salary package and the extent to which the Company's objectives have been met for the financial year	Paid monthly during the financial year
13th month salary	Part of gross salary package for Executive Directors only	Paid at the last month of the year
Director fees	Allowances paid to Non-Executive Directors	Paid during the year
Sitting Allowances	Allowances paid to Non- Executive Directors only for sitting at Board meetings	Paid during the year

7 DIRECTORS' INTERESTS IN CONTRACTS

In compliance with Section 277 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004 none of the Directors has notified the Company of any declarable interest in contracts deliberated by the Company during the year under review.

8 MAJOR SHAREHOLDING

According to the Register of Members, the following Shareholder(s) held more than 5% of the issued share capital of the Company as at 31st December 2013

Mutual Benefits Assurance Plc.	149,000,000	99%

9 PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment during the year is given in Note 14 to the Financial Statements.

10 DONATIONS AND CHARITABLE GIFTS

a) No donations and charitable gifts were made during the year

11 EMPLOYMENT OF DISABLED PERSONS

The Group maintains a policy of giving fair consideration to all applications including those received from disabled persons having regard to their particular aptitudes and abilities. The Group's policy is that the most qualified and experienced persons are recruited without prejudice to the applicant's state of origin, ethnicity, religion or physical condition.

In the event of any employee becoming disabled in the course of employment, the Group is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development.

As at 31 December 2013, the Group had no disabled persons in its employment.

12 HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Group's business premises are designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. Free medical services are provided for the Group's employees through clinics on retainership with the Group. The clinics, which are manned by professionals who are specialists in different medical lines, offer first class medical services to the employees.

Welfare facilities provided include housing for employees (or payment of allowance in lieu) and transport allowance; car loans or official cars. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these include promotions, salaries and wages review, etc. The Company also operates a contributory pension plan in line with the Pension Reform Act, 2004.

13 EMPLOYEE INVOLVEMENT AND TRAINING

The Group provides opportunities for all employees to participate and make input in the decision making process that affects the Group and also employee interests. The Group also recognises that the acquisition of knowledge is not static, and that to foster commitment, its employees need to have the awareness of factors, economic, financial or otherwise, that affect its growth. To this end, the Group in the execution of its training programs (both local and international) encourages and provides the opportunity for its staff to develop and enhance their skills, awareness and horizon.

Gender Analysis:

The number and percentage of women employed during the financial year vis-a-vis total workforce is as follows:

	Male Number	Female Number	Male %	Female %
Employees	218	86	72	28

Gender analysis of Board and Top Management is as follows:

	Male Number	Female Number	Male %	Female %
Board	5	-	100	-
Top Management	2	-	100	-

Detailed analysis of the Board and Top management is as follows

	Male Number	Female Number	Male %	Female %
Assistant General Manager	1	-	100	-
Deputy General Manager	1	-	100	-
Executive Director	-	-	-	-
Chief Executive Officer	1	-	100	-
Non-Executive Director	4	-	100	-

14 AUDITORS

The Auditor's Messer's BDO Professional Services have indicated their willingness to continue in office in accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C 20, LFN 2004. A resolution will be proposed at the Annual General Meeting to authorise the directors to fix their remuneration.

BY ORDER OF THE BOARD

JIDE IBITAYO
COMPANY SECRETARY
FRC/2013/NBA/0000003123
ARET ADAMS HOUSE
233 IKORODU ROAD
ILUPEJU
LAGOS
....

CORPORATE GOVERNANCE REPORT

INTRODUCTION

MUTUAL BENEFITS LIFE ASSURANCE LTD remains committed to the principles and practice that promote good Corporate Governance. We recognize that sound corporate governance practices are necessary for effective management and control of the Company's business with a view to maximizing the shareholders value and meeting the expectations of other Stakeholders. In furtherance of the commitment to high ethical conduct, we regularly review our processes and practices to ensure compliance with the legislative and best practice changes in the global corporate governance environment.

The Company continues to comply with its Internal Governance Policies and the Code of Corporate Governance for Companies in Nigeria. As an Insurance Company, the Company also complies with the Code of Good Corporate Governance for the Insurance Industry in Nigeria, issued by the National Insurance Commission in February, 2009. The NAICOM'S Code of Corporate Governances covers a wide range of issues including Board structure, Quality of Board Members, duties of the Board, conduct of the Board of Directors, Rights of Shareholders and Committees of the Board.

THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the overall functioning of the Company. The responsibilities of the Board include setting the Company's strategic objectives and policies, providing leadership to put them into effect, supervising the management of the business, ensuring implementation of decisions reached at the Annual General meeting, ensuring value creation to shareholders and employees, determination of the terms of reference and procedures of all Board Committees, ensuring maintenance of ethical standard as well as compliance with the Laws of Nigeria. At the moment, the Board is composed of 5 members including a Non-Executive Chairman, 3 Non-Executive Directors and the Managing Director. The Directors are experienced stakeholders with diverse professional backgrounds in Insurance, Accounting, Commerce, Management, Information Technology, etc. The Directors are men of impeccable character and high integrity.

The Company is indeed delighted to have a versatile Board with deep understanding of its responsibilities to Shareholders, Regulatory Authorities, Government and other Stakeholders. The Board always takes proactive steps to master and fully appreciate all cultural, legislative, ethical, institutional and all other factors, which impact our operations and operating environment. This has ensured that a culture of compliance with rules and regulation is entrenched at all levels of operations within the Company. The meetings of the Board are scheduled well in advance and highlights from the sub-committees of the Board are circulated to all the Directors. The Board meets regularly.

a) MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, the Board met on 18th February 2013, 15th April 2013, 4 July 2013 and 14 November 2013

Details of attendance by the Directors at Board meetings are as follows:

S/N	DIRECTORS	CATEGORY OF DIRECTORSHIP	NO OF MEETINGS HELD	NO OF MEETIN GS
1	Mr. Akin Ogunbiyi	Chairman/Non Executive Director	4	4
2	Mr. Femi Asenuga	Managing Director(MBA Life)	4	4
3	Mr. Segun Omosehin	Managing Director(MBA General Business	4	4
4	Mr. Gbenga Ogunko	Executive Director,Public Accounts and BusinessInitiatives	4	4
5	Mr. Soye Olatunji	Executive Director	4	4

b) COMMITTEES

The Board performed its functions through a total of Three Standing Committees during period under review. The Committees have clearly defined responsibilities, scope of authority and procedures for reporting to the Board. Membership of these Committees is structured in such a manner as to take optimum advantage of the skills and experience of the Non-Executive Directors.
The following are the standing Committees of the Company:

i) FINANCE AND GENERAL PURPOSES COMMITTEE

The Finance and General purposes Committee is made up of 2 Non-Executive Directors and the MD. The Committee meets to review the investment guidelines of the Company, ensure that investments embarked upon by the Management are in line with the guidelines as well as the appropriate statutory regulations, and also considers other miscellaneous issues. Mr. Soye Olatunji Chaired the Committee during the year under review.

SCHEDULE OF MEETINGS

The Committee met three times during the year under review. It met on 18th March 2013, 3rd April 2013, 13th August 2013 and 6th December 2013. The following are the details of members and meetings held in the last financial year.

S/N	MEMBERS	NUMBER OF MEETINGS	NO OF MEETINGS ATTENDED
1	Mr. Soye Olatunji	4	4
2	Mr. Gbenga Ogunko	4	4
3	Mr. Femi Asenuga	4	4

ii) ESTABLISHMENT COMMITTEE

The Establishment Committee comprises two Non-Executive Directors and the MD. The Committee considers staff matters in general.

SCHEDULE OF MEETINGS

The Committee meets as the need arises. The Committee meetings were held on 6th March 2013, 15 July 2013 and 12rd December 2013. Details of the members and the meetings held are contained in the following schedule:

S/N	MEMBERS	NUMBER OF MEETINGS	NO OF MEETINGS ATTENDED
1	Mr. Soye Olatunji	3	3
2	Mr. Gbenga Ogunko	3	3
3	Mr. Femi Asenuga	3	3

iii) TECHNICAL/RISK MANAGEMENT COMMITTEE

The Risk Management Committee is composed of, Mr. Gbenga Ogunko in as Chairman, 1 Non-Executive Director, namely Mr. Olusegun Omoseh, and the MD. The Committee's terms of reference include ensuring compliance with the Enterprise Risk Policies and the Regulatory Risk Requirements. The Committee met thrice during the year under review.

SCHEDULE OF MEETINGS

The meetings were held on 3rd April 2013, 4th June 2013 and 10th October 2013.

S/N	MEMBERS	NUMBER OF MEETINGS	NO OF MEETINGS ATTENDED
1	Mr. Segun Omosehin	3	3
2	Mr. Gbenga Ogunko	3	3
3	Mr. Femi Asenuga	3	3

CORPORATE SOCIAL RESPONSIBILITY REPORT

At Mutual Benefits Life Assurance Limited, we care for the environment and the society in which we operate. In appreciation of the gesture towards the upliftment of our company during the year 2013 particularly, donations were made to various organisation in order to bring relieve to the society especially the less privilege ones.

JIDE IBITAYO
COMPANY SECRETARY
FRC/2013/NBA/0000003123

MANAGEMENT DISCUSSION AND ANALYSIS

THE NATURE OF THE BUSINESS

Mutual Benefits Life Assurance Limited is a life insurance business with over 7 years experience in Nigeria. The company is known for providing expertise knowledge especially in partnerships, value creation and empowerment. Our company is known by the populace for prompt payment of claims and other support as it may be necessary.

The major bulk of our business comes from brokers market and support from the parent company in form of referral.

MANAGEMENT'S OBJECTIVES

The Company strives to be well run Company with entrenched best practices skilled in wealth creation with outstanding returns to Shareholders.

OUR STRATEGIES

The Company strives to take advantage of the 'No premium, no cover' policy which takes effect from 1 January 2013. It will eliminate the incidence of high premium receivables giving rise to high quality assets and also increase the liquidity level of the Company which will free up more fund for investment and lead to an increase in the investment income to the Company.

OUR RESOURCES, RISKS AND RELATIONSHIP

Our most valuable resources are our human capital. The staff welfare is paramount to the company. Non-human resources are of small relevance without appropriate personnel to drive the system.

Insurance business is a kind of business that is full of risk known as insurable risks. This is a known risk but which the likelihood and magnitude of the occurrence is not certain.

The company have put in place a balanced re-insurance policy to absorb the impact of such risks at any time in future. Aside from this, the company is also faced with diverse risks which are financial and non-financial in nature. Several strategies are already in place to mitigate their negative impact on the business and the company itself. Mutual Benefits Life Assurance Limited is a life insurance company and one of the leading life insurance underwriters in the country.

FINANCIAL RESULTS AND PROSPECTS

	Group			Company		
	31 December 2013	31 December 2012	Growth	31 December 2013	31 December 2012	Growth
	N'000	N'000	%	N'000	N'000	%
Gross premium written	2,534,143	2,700,936	(6)	2,534,143	2,700,936	(6)
Gross premium income	2,170,345	2,675,919	(19)	2,170,345	2,675,919	(19)
Re-insurance expense	(75,460)	(97,941)	(23)	(75,460)	(97,941)	(23)
Fees and commission	51,185	34,546		51,185	34,546	48
Net underwriting income	2,146,070	2,612,524	(18)	2,146,070	2,612,524	(18)
Claims expenses	(1,038,357)	(1,327,750)	(22)	(1,038,357)	(1,327,750)	(22)
Underwriting expenses	(438,027)	(397,274)	10	(438,027)	(397,274)	10
Total Underwriting expenses	(1,476,384)	(1,725,024)	(14)	(1,476,384)	(1,725,024)	(14)
Underwriting results	669,686	887,500	(25)	669,686	887,500	(25)
Investment and other income	377,538	1,102,059	(66)	722,292	1,080,272	(33)
Operating and management expenses	(1,584,179)	(1,778,431)	(11)	(1,265,285)	(1,821,694)	(31)
Share of associate profit or loss	-	-		-	-	
(Loss)/profit before tax	(536,955)	211,128	(354)	126,693	146,078	(13)
Income tax expense	(93,367)	(64,627)	44	(49,273)	(20,050)	146
(Loss)/profit after tax	(630,322)	146,501	(530)	77,420	126,028	(39)
Investment contract liabilities	14,927,699	10,097,239	48	14,927,699	10,097,239	48
Insurance contract liabilities	1,704,176	2,163,841	(21)	1,704,176	2,163,842	(21)
Shareholders fund	435,990	1,069,739	(59)	2,567,357	2,489,937	3
(Loss)/earnings per share (kobo)	(420)	98	(530)	52	84	(39)

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

Risk management framework

Mutual Benefits Life Assurance Limited has a clear a risk management committee which is responsible for developing and monitoring the Company's risk management policies which are established to identify and analyse the risks faced by the Company, to set appropriate risk limit and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Risk management objectives,policies and procedures

We have incorporated an approach aimed at creating and maximizing returns to our stakeholders that strategically balances the risk and rewards in our business.
Mutual Benefits Life Assurance Limited's risk philosophy is guided by the following principles:

- The Company will not take any action that will compromise its integrity. It shall identify, measure manage, control and report as practical as possible all risks.

- The Company will at all times comply with all government regulations and uphold corporate standards in accordance with international best practice.

- The Company will institute a sustainable risk culture enterprise-wide.

- The Company will only accept risks within its risk acceptance criteria and that have commensurate returns and continually review its activities to determine inherent risk levels and adopt appropriate risk response to residual risk levels at all times.

- The Company will make decisions based on resilient analysis of the implications of such risks to its strategic goals and operating environment

The Board recognizes that the practice of risk management is critical to the achievement of corporate objectives and has actively encouraged a risk culture that embraces innovation and opportunity, primed risk-taking and acceptance of risk as inherent in all our activities, whilst reducing barriers to successful implementation. We constantly recognize that nature of risk is dynamic and pervasive in our business and the responsibility is that of all, hence we have created a structured approach across all functions of the organization flowing from strategic planning to the service level in order to identify, mitigate and report these risks.

Our structured approach to managing risks is evident in the integration of the internal audit function; which is charged with the responsibility of undertaking risk-based audit on all business units using outputs of the annual company financial risk assessment to guide its annual audit program. A quarterly assessment exercise is conducted by this unit and a rated score expressed in percentage is applied to measure the level of compliance. This policy has been continuosly maintained.

Enterprise-wide Risk Management Principles

Here in Mutual Benefits Life Assurance Limited, we try as much as possible to balance our portfolio while maximizing our value to stakeholders through an approach that mitigate the inherent risk and reward in our business.
To ensure effective and economic use of resources, we operate strictly by the following principles

The company will not take any action that will compromise its integrity
- The company will at all times comply with all government regulations and uphold best international
- practice.
The company will build an enduring risk culture, which shall prevade the entire organisation
- The company will at all time hold a balanced portfolio and adhere to guidelines on investment issued
- by the regulator and Finance and General Purpose Committee of the company.
The company will ensure that there is adequate reinsurance in place for the business above its limit
- and also prompt payment of such premiums.

Approach to Risk Management

In Mutual Benefits Life Assurance Limited, there are levels of defence model put in place for the oversight function and management of risk to create and promote a culture that mitigate the negative impact of risks facing the company.

First Level - Risk Oversight

The Board

The Board sets the organisation's objectives, risk appetite and approves the strategy for managing risk. There are various committees nominated to serve of whom their various functions are geared towards minimising likehood impacts of risks faced by the company.

The Audit Committee:

This is one of the most powerful arms of the Board which is saddled with the following functions:
Perform oversight function on accounting and financial reporting
- Liase with the external auditor
- Ensure regulatory compliance
- Monitoring the effectiveness of internal control processes within the company.

Board Risk Committee

This is more of technical committee that oversee the business process. Their functions include;
Reviewing of company's risk appetite
- Oversee management's process for the identification of significant risk across the company and the
- adequacy of prevention, detection and reporting mechanisms.
Review underwriting risks especially above limit for adequacy of reinsurance and company's participation.
- Review and recommend for approval of the Board risk management procedures and controls for new
- products and services

Board Investment Committee

Set the investments limit and the type of business the company should invest in
- Reviews and approves the above company's investment policy
- Approves investments over and above managements' approval limit
- Ensures that there is optimal asset location in order to meet the targeted goals of the company.

The second level - Management

This comprises of Managing Director and the management staff of the company.

They are responsible for strategy implementation of the Enterprise Risk Management policies and guidelines set both by the regulator, government and the board for risk mitigation. This is achieved through the business unit they supervised.

The third level - Independent assurance

This comprises the internal audit function that provides independent and objective assurance of the effectiveness of the company's systems of internal control established by the first and second lines of defence in management of enterprise risks across the organisation.

Risk Categorisation

As a business entity and an underwriter, Mutual Benefits Life Assurance Limited is exposed to an array of risk through its operations. The company has identified and categorised its exposure to these broad risks as listed below.

Financial risk
- Business risk
- Operational risk
- Hazard risk
- Underwriting risk

Financial risk comprises of market, liquidity and credit risk.

Market risks are sub-divided into interest-rate risk, exchange risk, property price risk and equity risk. The liquidity risk includes; liquidation value risk, affiliated investment risk and capital funding risk. The credit risk: This includes default risk, downgrade or mitigation risk, indirect credit or spread risk and concentration risk. Business risk relates to the potential erosion of our market position. This includes customer risk, innovation risk and brand reputation risk.

Operational Risk

This is the risk of loss resulting from inadequacy or failure of internal processing arising from people, systems and or from external events.

Hazard Risk

These are risk which are rare in occurrence but likely impact may be major on the company. Examples of these are natural disaster, terrorism, health and environmental risk, employee injury and illness, property damage and third-party liability.

Insurance/underwriting Risk

Our activities involve various range of risk arising from the business itself. This manifest from underwriting, re-insurance, claims management, reserve development risk, premium default, product design and pricing risk. Our company has a pragmatic approach in identifying, assessing and mitigating risk of such approaches as stated above.

The risk categorization are presented in the table below:

FINANCIAL RISK REGISTER

TABLE I

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	Market	a) interest rate risk	a) losses resulting from movement in interest rates to the extent that future cash flows from asset and liabilities are not well matched	extreme	where interest rate flunctuates in relation to existing commitments as a result of change in economic & monetary policies and CBN reserve deposits	setting of metrics to measure exposure to interest rate risk factors, setting appropriate limit structure to control exposures to interest rate risk, document appropriate alternative products to hedge exposures against interest rate risk, use stress testing to determine the potential effect of economic shifts, market events on interest rate
		b) equity risk	b) losses resulting from movement of market values of equities; to the extent that the insurer makes capital investments, which exposes its portfolio to sustained declines in market values	extreme	where equity prices flunctuates widely as a result of speculations and industry induced factors, while the company is forced to sell to meet emerging commitments, thus, incurring losses from fall in value of equity	setting of metrics to measure exposure to equity value risk factors, setting appropriate limit structure to control exposures to equity value risk, document appropriate alternative products to hedge exposures against equity value risk, use stress testing to determine the potential effect of economic shifts and market events on equity value
		c) real estate	c) losses resulting from movement of market values of real estates and other assets; to the extent that the insurer makes capital investments in real estate by which it becomes exposed to sustained declines in market values	high	where real estate prices fall in response to various market conditions	setting of metrics to measure exposure to real estate risk factors, setting appropriate limit structure to control exposures to real estate risk, document appropriate alternative products to hedge exposures against real estate risk, use stress testing to determine the potential effect of economic shifts and market events on real estate
		d) currency risk	d) losses resulting from movements in exchange rates; to the extent that cash flows, assets and liabilities are denominated in different currencies	high	where the naira flunctuates in response to limited intervention from CBN and oil majors	set appropriate limits for foreign currency holding
ii	Credit	a) Default risk	a) non- receival or delayed receival of cash flow or assets to which it is entitled due to default in one or more obligation by the other party	extreme	where premium are not received on time or interest and principal are delayed or become irrecoverable	credit is extended only on secured basis, where credit is unsecured a limit structure is established. Transactions and exposures involving affiliated entities must receive special approval and portfolio diversification

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
		b) Downgrade or Mitigation risk	b) changes in the probability of a future default by an obligor will adversely affect the present value of the contract with the obligor today	low	where insurance premium owed overtime is to be rediscounted for payment	set appropriate premium credit limit structure
		d) Concentration risk	d) losses due to concentration of investments in a geographical area, economic sector, counterparty, or connected parties	extreme	where the company's investment portfolio is skewed towards a particular instrument or issuer, where premium generated is predominantly from one or two intemediaries	diversification of investment portfolio and premium base
iii	liquidity	a) liquidation value risk	a) unexpected timing or amounts of needed cash may require the liquidation of assets when market conditions could result in loss of realised value	high	where fund is not available to meet emerging but urgent claims and other statutory payments as a result of deterioration of the economy and abnormally volatile or stressed market	set appropriate limits
		b) affiliated investment risk	b) investment in a member company of the conglomerate or group may be difficult to sell, or that affiliates may create a drain on the financial or operating resources from the insurer	extreme	where investment in affiliate company is not easily realisable when needed as a result of economic shifts or unquoted nature of the investment	set appropriate limits
		c) capital funding risk	c) inability to obtain sufficient outside funding, as its assets are illiquid, at the time it needs it (to meet an unanticipated large claim)	medium	where additional funding is difficult to obtain or raising of equity is laborious and long as a result of deterioration of the economy or stressed market	set appropriate limits

STRATEGIC RISK REGISTER

TABLE II

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	**Business**	customer risk, innovations risk & brand reputation risk	losses resulting from any incident or circumstance which dramatically alters customer preference, or deployment of new innovative products by competitors which induces a heavy reduction in company's customer base or renders company's product obsolete	medium	where extensive market rumours arise, where severe regulatory sanction arises, where competitors introduce a revolutionary innovative product, and where economic shift result in severe changes in customer taste & preferences	customer relationship management, monitoring of industry and market changes, continous product innovations & development
ii	**Reputational**	corporate governance breaches, reputational risk management process and event	losses resulting from any incidence or circumstance which ultimately results in reputation risk- the risk that the company's reputation may be damaged through negative publicity of its business practices, conduct or financial conditions	extreme	where the company suffers negative publicity, impaired public confidence which may result in costly litigation or decline in its customer base or businesss revenue	effective reputation risk management process, institution of good corporate governance, adequate management of reputation events
iii	**Compliance**	proposed regulatory changes, corporate positioning	losses resulting from forced merger and acquistion bid or the inability to anticipate fundamental changes in operative legislation	medium	where the company could not access capital funding to meet new legislation requirement	progressively build up share capital and share holders fund, establish media to anticipate new legislations, regularly monitor industry and market changes

HAZARD RISK REGISTER

TABLE III

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	Natural Disasters, Terrorism & Vandalism	Fundamental perils, Acts of Terrorism, Riot & Commotion	losses arising out of any one event or series of event caused by the occurrence of earthquake, civil war, riots or acts of terrorism that may result in damage to company's property or injury to staff or lead to a third party liability.	medium	where company is located near the source of a fundamental peril	insurance
ii	Health safety & Environmental risk	Pollution, Contagious diseases, Hazardous materials / Substances	losses arising out of any one event or series of event caused by pollution, contagious disease and use of hazardous material which may result in health risk to employees.	medium	where hazardous substances or materials are used in work processes or where pollution is prevalent around the work environment or where an employee with a contagious diseaese is not restricted	removal of hazardous processes and substances from work environment, restriction of access to employees in hazardous areas, wearing of protective devices for hazardous processes, restriction of employees with contagious disease to specified areas
iii	Employee injury & illness	Workplace accident, Hazardous Processes, Suffocation, Electrical shocks & burns	losses arising out of any one event or series of event caused by accident, electrical shocks & burns, resulting in illness, injury or permanent disability to the employee	medium	where hazardous processes are engaged or work environment is badly structured or where the company has a poor maintenance culture	removal of hazardous processes, effective maintenance system and decent work environment
iv	Property damage	fire, explosion, robbery, accidental damage	losses arising out of any one event or series of events caused by fire, explosion, robbery and accidental damage which may result in loss of property or injury to employees and third parties	medium	where the company has a poor maintenance culture, poor house-keeping and weak security system	good house-keeping, good security system
v	Third-Party Liability	Slipping / tripping/ falling risk, falling Objects	losses arising out of any one event or series of events caused by slipping, tripping or falling objects which may result in loss of property or injury to third parties	medium	where the company has a poor maintenance culture, poor house-keeping and weak security system	good house-keeping, good security system

INSURANCE RISK REGISTER

TABLE IV

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	Insurance Underwriting	Risk Assessment & Risk Rating, Process & Control deficiency, System Risk	weaknesses in the system of underwriting and control which exposes the company to more than normal risks or limits the ability of the company to charge equitable premium	extreme	where material information necessary for prudent underwriting is ambiguos without the undewriter getting clarifications, where necessary risk survey and inspection are not carried out, where risks are written at ridiculous rates and where system error compounds the underwriting process	existence of underwriting policy, rating guides, and functional reporting & supervision system
ii	Re-insurance	a) Inadequate reinsurance arrangement	weaknesses in the reinsurance process which may result in omission of risks exposures from current reinsurance coverage or exhaustion of reinsurance covers through multiple losses	high	where there is failed process or errors of omission by staff or system error	existence of reinsurance policy and procedure, functional reporting & supervision system, rendition of quarterly accounts
		b) Reinsurers selection error / failure	weakness in the reinsurance management process which overlooks the strength, capacity and performance as necessary factors in selection of reinsurers from time to time : insufficient consideration for the possibility of insolvency of the reinsurer or its inability to respond to cash calls during the year	medium	where the reinsurers are not regularly appraised and evaluated	annual pre-qualifications for reinsurers, standard parameters established for reinsurers participation in companys' accounts
iii	Claims Management	illiquidity, Failed Process, Fraud	weaknesses in the underwriting & Claims management process which may hinder or prevent the company from fulfilling its contractual obligation to policy holders; illiquidity arising out of huge outstanding premium, or inability to liquidate assets or obtain funding; or inability to discover claims fraud	extreme	where the underwriting is poorly done, where the company has illiquidity problems or where claims consultants collude with staff to defraud the company, or where the process is laborious	existence of claim management policies & procedures, existence off internal SLAs, functional reporting & supervision system

	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
iv	Reserve Development risk	Computation error, Solvency & System error	weakness in reserving method which results in insurance reserve being less than the net amount payable when the risks crystalise, such weaknesses may include, calculation error, system error, people error or a sign of the impending insolvency of the company	extreme	where calculation error, systeme error, people error exists or where the company is tending toward insolvency	statutory basis for reserve calculation, internal & external audit checks
v	Premium default	Agent default, Brokers default & Fraud	weakness in the management system that allows agent and brokers to freely owe or defraud the company	extreme	where there are huge outstanding premium due to uncollectable premium from agents, brokers or direct insured; where there is collusion between staff members and such intermediaries; where there is pressure to meet production target	defined basis for premium recognition, pre-qualification for premium credit, establishment of credit control
vi	Product Design & Pricing risk	Product recall / default, Pricing Defect	the possiblity that a newly developed product may be wrongly priced or not accepted in the market	extreme	where new product is not based on market need, or where a produt is inappropriately priced	step by step procedure for new product development, new product emerge only through a committee comprising members from different departments

OPERATIONAL RISK REGISTER

TABLE V

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
i	**People**	a) Discrimination	a)Gender discrimination, Tribe discrimination+ Qualification discrimination (B.Sc/ HND).	High	a)where HR employs more males than females, or B.sc, is given precedence over HND, or one tribe is predominantly employed.	a)Recruitment & Selection is strictly on merit, minimum qualifications are specified for every position in the organisation, deliberate policy of the company is to engage a minimum number of physically challenged people
		b) Demotivated & Disgruntled workforce	b)Poor conditions of service, Bad Management, Delayed gratuity payment, poor work environment	Medium	b) where Salary, Promotion & confirmation of Staff are delayed, Where Salary & emoluments are not regularly reviewed	b) review of salaries & emoluments in line with inflation, adherence to employees union agreements, agreed timeline for payment of salaries & emoluments
		c) Employee Health & safety	c)Unconducive work environment, staff constant exposure to harzadous pollutants	Medium	c) where adequate provision is not made for Health maintenance of employees, where work environment is tight & untidy	c) Availability of Health Insurance, retained Medical clinics for emergencies, Decent & well lighted work environment
		d) Misappropriation of assets	d)Conversion of company's asset for personal use, theft.	High	d) where assets are not properly labelled, where assets register is poorly maintained, and where assets movement & control are inadequate.	d) regularly updated assets register, adequately labelled & asset inscription, strict security checks, documented asset movement
		e) Internal fraud	e)Ghost workers, forgery, Aiding and abetting, financial collusions, over invoicing, delayed retirement of advances & IOU	High	e) where financial control is loose, where regular audit is far in between, where filing & access to financial documents / department is free	e) Regular Audit, regular monitoring of compliance with financial controls, regular updating of financial controls, secure financial documents & checks, establishment of comprehensive control administrative & accounting procedure, strict adherence to functional reporting.
		f) High Staff attrition	f) High turn-over of Staff, forced & Voluntary resignations, Abadonment	Medium	f) where there is the absence of Staff forum, where there is poor management-staff relationship, where there is poor internal communication and where there is under-employment of Staff	f) competitive remuneration package, comprehensive Learning & Development program, continously improved work environment, fully engaged employees

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
		g) Sudden Resignation of Key employee	g) Efficient employees leaving, key employees leaving	High	g) where employees productivity is not matched with reward, where there is poor Management-Staff relationship, where Management integrity is absent, where Manageent & Board is wasteful	g) regular management-key employees dialogue, comprehensive training & development program, adequate motivation
ii	**Process**	a)Clientele Service/ Interaction	a)Poor customer relations management, Unable to meet customers promised deadlines	High	where there is delayed response to customers enquiries and requests arising out of process breakdown and poor interpersonal relations and abridged communication	matching employees skills with roles, comprehensive Human Capital Learning & Development programs, Customer Relationship Management training, Service Level Agreements
		b) Documentation Errors	b) flaws in documentation, flaws in marketing & promotion literature, errors in policy documentation, failure to maintain proper records.	High	where employees are poorly trained, sentimentally recruited & supervision is weak, where functional manuals are not made available, where manual record keeping is still prevalent	automation of processes, re-engineering of processes, enforcement of strong supervisory controls, zero tolerance for process errors, introduction of self assessment programs, Training & development
		c) Miscommunication / Misreporting	c) issuance of factually incorrect or misleading information to internal &external customers, errors in policy wordings & financial statements, unauthorised disclosure of confidential information	High	where functional supervision is loose, where functional reporting is not strictly enforced, where there is no comprehensive control administrative procedure	establishment of central communication center at corporate & functional levels, enforcement of strong supervisory control
		d) Transaction & Payment processing error	d)Manual data entry errors, design & specification errors, casting errors, omissions	High	where record keeping is still largely manual, where there is no comprehensive control accounting procedures, where financial controls are weak, and where employees are poorly trained	enforcement of comprehensive control and accounting procedure, automation of processes, pre-payment audit
		e) Sales advise / practice errors	e) Mis-selling & negligent sales advisory services	High	where customers frequently return policies and endorsements, where sales people oversell company's products, and where policies are prematurely terminated or not renewed	training & employees capacity building in sales & marketing management, customer retention as a KPI for Sales/ Marketing employees

S/N	RISK TYPE	RISK ELEMENTS	RISK EVENT DESCRIPTION	INHERENT RISK RATING	RISK DRIVER DESCRIPTIONS	DESCRIPTION OF EXISTING CONTROLS
iii.	System	Hardware failure, software failure, utility disruptions	system hang, system hacking, electricity disruption, software design failure, data corruption, viruses, theft of information, security breaches	extreme	where disruption is caused to service delivery for internal & external customers because of system failure, telecommunication failure, security breaches and frequent down-time	standardised proprietry hardware, robust software deployment, availability of maintenance contract, strict adherence to security control system, adequate system & data Back-up, controlled infrastructure and dependable telecommunications network
iv	External events	a)legislative & regulatory risk	a) non compliance, delayed compliance & inability to fully comply with regulatory & legislative procedures	extreme	where penalties are paid for non-compliance or delayed compliance of regulatory procedures	establishment of compliance unit, enforment of compliance requirement
		b) damage to company's assets	b) loss of company assets due to terrorism, riots and civil commotion and other fundamental perils	extreme	where the company looses one of its assets due to the occurrence of a fundametal peril	asset insurance, authorised movement of assets
		c) external fraud	c) Theft of information, financial collusion & forgery, impersonation, frauduent claims, fraudulent billing by suppliers	extreme	where signatures are forged by third parties, where fraudulent billings are presented and where policy claims are manipulated	secured storage of company's financial documents, pre & post audit of supplies, pre audit of claims payment
		d) Third party liabilities.	d)outsourcing delivery failure, actions by third party against the company	medium	where services outsourced to third parties are impaired, and where third parties make claims on the company for negligence or breach of contract	enforceable outsourcing contract, imposition of by-laws within company premises
v	Legal/ Litigation	Contracts &documentation, outsourcing, fiduciary breaches	a) missing or incomplete legal documentation, poor contract staff management, risk relating to tax legislation, either general taxation or VAT, claims dispute	extreme	where contracts are not carefully drafted, where policy documents are ambiguous, where existing legislation is hard to comply with	centralisation of all contracts with legal, functional supervision of policy documents

Aside from this, the company train and re-train the personnel in risk handling techique which has put the company as one of the leading underwriters with proven track records over the years.

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED

We have audited the accompanying separate and consolidated financial statements of Mutual Benefits Life Assurance Limited ('the Company') and its subsidiaries (together 'the Group'). These financial statements comprise the consolidated and separate statements of financial position as at 31 December 2013, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows for the year then ended, a summary of the significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011, the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Insurance Act, CAP I17, LFN 2004 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 6.2 to the financial statements which indicates that the Company had a shortfall of N5,959,937,000 in solvency margin as at 31 December, 2013. The note also explains the Company's plans towards meeting the shortfall.

Contravention of laws and regulations

During the year the Company contravened certain sections of the Insurance Act, CAP I17, LFN 2004 and NAICOM's operational guidelines. Details of the contraventions and appropriate penalties thereon are disclosed in note 50.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's financial position as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004 and Insurance Act, CAP I17, LFN 2004 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines.

Report on other legal requirements

The Companies and Allied Matters Act, CAP C20, LFN 2004 requires that in carrying out our audit, we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Company; and

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Olugbemiga A. Akibayo
FRC/2012/ICAN/00000001076
For: BDO Professional Services
Chartered Accountants

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0868005

Lagos, Nigeria
23 October 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the Group in the preparation of its financial statements.These policies have been consistently applied to all year's presentations, unless otherwise stated.

1 The Group

The group comprises of Mutual Benefits Life Assurance Limited (the Company) and its subsidiaries - Mutual Benefits Microfinance Bank Limited and Mutual Benefits Homes and Properties Limited.

1.1 The Company

Mutual Benefits Life Assurance Limited was incorporated on 20 February 2007 as a wholly owned subsidiary of Mutual Benefits Assurance Plc.

1.2 General information

Mutual Benefits Life Assurance Limited is a Life Business underwriting firm fully capitalised in line with statutory requirements of the industry regulatory body - National Insurance Commission. The Company underwrites Group Life and Individual Life Assurance and Group and Individual Investment Policies.

The Company identifies prompt claims, maturities and surrenders settlement as a means to achieving policyholders' satisfaction and therefore emphasises prompt settlement of claims, maturities and surrenders in its operations. The Company also invests its available funds in interest bearing instruments to generate adequate returns to meet its claims and interest obligations.

The Company is a private limited liability company incorporated and domiciled in Nigeria and has its registered office at Aret Adams House, 233 Ikorodu Road, Ilupeju, Lagos.

The Directors have made assessment of the Group's ability to continue as a going concern and have no reason to believe that the Group will not remain a going concern in the years ahead.

The consolidated financial statements, including the assets and liabilities of the Company and all its subsidiaries, were authorised for issue by the directors on 5 June 2014. However, Insurance regulators, National Insurance Commision have the power to amend these financial statements after it's authorisation for issue by the board of directors.

1.3 Subsidiaries

Mutual Benefits Homes and Properties Limited is a wholly owned subsidiary of Mutual Benefits Assurance Limited incorporated in December 2007. It carries on the business of property acquisition, development and construction and sale to corporate and individual customers.

Mutual Benefits Microfinance Bank Limited was incorporated in Nigeria in January 2008 and its principal activity involves the provision of retail banking services to both individual and corporate customers. Mutual Benefits Life Assurance Limited obtained control of the company with acquisition of 80% of the voting rights in January 2009.

1.4 Consolidation

The Group financial statements comprises the financial statements of the company and its subsidiaries, Mutual Benefits Microfinance Bank Limited and Mutual Benefits Homes and Properties Limited, all made up to 31 December, each year. The financial statements of subsidiaries are consolidated from the date the group acquires control, up to the date that such effective control ceases. A subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Mutual Benefits Homes and Properties Limited is a wholly owned subsidiary, while the Company has an 80% interest in Mutual Benefits Microfinance Bank Limited.

All intercompany transactions, balances, unrealized surplus and deficit on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated in the same manner as unrealized gains. The financial statements of the subsidiaries have been prepared in accordance with IFRS and the accounting policies of the subsidiaries are consistent with the accounting policies adopted by the group which are in accordance with IFRS.

2 Basis of presentation:

2.1 Statement of compliance with IFRS

These financial statements are the separate and consolidated financial statements of the Company and its Subsidiaries (together, "the Group"). The Group financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"). The financial statements have also been prepared in compliance with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act, CAP I17 LFN, 2004 and regulatory guidelines and circulars issued by the National Insurance Commission (NAICOM) which also do not conflict with the requirements of IFRS in any way.

2.2 Going concern

The Company's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

2.3 Basis of measurement

These financial statements are prepared on the historical cost basis except for the following:

- Available-for-sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- Assets held for trading are measured at fair value

2.4 Functional and presentation currency

The financial statements are presented in Nigerian naira which is the Group's functional currency. The financial statements are presented in thousands of Nigeria Naira

2.5 Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates and transacts business), which is the Nigerian Naira. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are converted into the functional currency using the exchange rate prevailing at that date. The resulting foreign exchange gains and losses from the settlement of such conversion and from year-end conversion are recognised on a net basis in profit or loss in the year in which they arise, except for differences arising on conversion of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

3.1 Standards and amendments issued but not yet effective for the 31 December 2013 year end and not early adopted

IFRS reference	Title and Affected standard(s)	Nature of Change	Application date	Impact on Initial Application
IFRS 9 (issued November 2009 and amended October 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets: i) Amortised cost ii) Fair value through profit or loss iii) Fair value through other comprehensive income The following requirements have generally been carried forward unchanged from IAS 39 *Financial Instruments: Recognition and Measurement* into IFRS 9: i) Classification and measurement of financial liabilities ii) Derecognition requirements for financial assets and liabilities. However, IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income. The changes are to be applied prospectively from the date of adoption	Periods beginning on or after 1 January 2015	The group has financial assets classified as available-for-sale. When IFRS 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 January, 2015, the cumulative fair value changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes will be recognised in profit or loss. These changes apply prospectively so comparatives do not need to be restated. The entity has financial liabilities designated at fair value through profit or loss. The amendments require that for those financial liabilities, any changes in fair value attributable to the liability's credit risk are normally recognised in other comprehensive income instead of profit or loss.
IFRS 9 (amended December 2011)	Amendments to IFRS 9 *Financial Instruments* Mandatory Effective Date of IFRS 9 and Transition Disclosures	Defers the effective date of IFRS 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required. (a) The amounts subject to an enforceable master netting agreement (or similar) not included in the amount offset under IAS 32 (i.e. (b)), being those that fail to meet the offsetting criteria as well as those related to financial collateral (b) The net of (d) less (c) Also required is a description of the nature of the right of sett-off, in relation to amounts presented under (d) above.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

IFRS reference	Title and Affected standard(s)	Nature of Change	Application date	Impact on Initial Application
IFRS 10 (amended October 2012)	Amendment to IFRS 10 *Consolidated Financial Statements. Investment Entities*	The amendment defines an investment entity and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendment prescribes three criteria that must be met in order for an entity to be defined as an Investment Entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into IFRS 12 Disclosure of Interest in Other Entities and amends IAS 27 Separate Financial Statements.	Annual reporting periods commencing on or after 1 January 2014	
IAS 32 (amended December 2011)	Amendment to IAS 32 *Financial Instruments: Presentation* *Offsetting financial assets and financial liabilities*	The amendment has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of: i) The meaning of 'currently has a legally enforceable right of set-off' ii) The application of simultaneous realisation and settlement iii) The offsetting of collateral amounts iv) The unit of account for applying the offsetting	Annual periods commencing on or after 1 January 2014	[Include for all where the amended application guidance in relation to the offsetting of financial assets and financial liabilities will not alter the entity's previous accounting treatment of financial assets and financial liabilities] When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.
IAS 36 (amended May 2013)	Amendment to IAS 36 *Impairment of Assets* *Recoverable amount disclosures for non-financial assets*	Require the disclosure of the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU) Expand and clarify the disclosure requirements when an assets (CGUs) recoverable amount has been determined on the basis of fair value less disposal. Specifically require the disclosure the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, the amount of information disclosed regarding impairment may be reduced.

3.2 **Standards and amendments issued but effective for the 31 December 2013 year end and not likely to have any impact**

IFRS reference	Title and Affected standard(s)	Nature of Change	Application date	Impact on Initial Application
IFRS 7 (amended December 2011)	Amendment to IFRS 7 *Financial Instruments: Disclosure* *Disclosures - Offsetting financial assets and financial liabilities*	Additional disclosures required in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement). Minimum disclosure requirements, in a tabular format that splits financial assets and financial liabilities, are: (a) Gross financial assets and liabilities under a master netting (or similar) agreement (b) The amounts offset under IAS 32 (c) The net amount presented in the statement of financial position (i.e. (a) - (b))	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. Currently, the entity does not have (and is unlikely to have) any enforceable master netting (or similar) arrangements in place, and therefore the amendment will not add any additional quantitative and qualitative disclosures.
IFRS 10 (issued May 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: · Power over investee (whether or not power used in practice) · Exposure, or rights, to variable returns from investee · Ability to use power over investee to affect the entity's returns from investee. Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in fewer instances of control. Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include: i) Scope of decision making authority ii) Rights held by other parties, e.g. kick-out rights iii) Remuneration and whether commensurate with services provided	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.
		iv) Decision maker's exposure to variability of returns from other interests held in the investee.		

IFRS reference	Title and Affected standard(s)	Nature of Change	Application date	Impact on Initial Application
IFRS 11 (issued May 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.
IFRS 12 (issued May 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.
IFRS 13 (issued May 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by IFRS 13. As the revised fair value measurement requirements apply prospectively from 1 January 2013, when this standard is adopted for the first time .

IFRS reference	Title and Affected standard(s)	Nature of Change	Application date	Impact on Initial Application
IAS 19 (reissued June 2011)	Employee Benefits	Main changes include: 1) Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans 2) Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods 3) Subtle amendments to timing for recognition of liabilities for termination benefits.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity has no defined benefit plans and an immaterial amount of employee benefits expected to be settled beyond 12 months.
IAS 19 (reissued June 2011)	Employee Benefits	1) Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.		The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to IAS 19 require such liabilities to be classified on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 1 January 2013 year end, annual leave liabilities will be reclassified on 31 December 2013 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period, with the amount being recalculated to include the effect of discounting. This will result in a reduction of the annual leave liabilities recognised on 31 December 2013, and a corresponding increase in retained earnings at that date.

3.3 Interpretations issued but not applicable and not adopted by the company for the 31 December 2013 year end

IFRIC 20: Stripping costs in the production phase of a surface mine: IFRIC 20 clarifies the requirements for accounting for stripping cost associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement. IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine was issued on 19 October 2011 and is effective for annual periods beginning on or after 1 January 2013.

4 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially give rise to different results under different assumptions and conditions.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

4.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand and term deposits with maturities of three months or less and 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. For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits and treasury bills.

Cash and bank balances are initially and subsequently recognised at fair value.

Short-term deposits are initially recognised at fair value and subsequently measured at amortised cost. Interest on short-term deposits is recognised in profit or loss on a time apportionment basis that takes into account the effective yield on the deposits.

Treasury bills are initially recognised at fair value and subsequently measured at amortised cost. Interest on treasury bills is recognised in profit or loss on a time proportion basis that takes into account the effective yield on the deposits.

4.2 Financial assets

Financial assets are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets are recognised and derecognised on the basis of trade date accounting.

Financial instruments are measured initially at fair value.

The Group classifies its financial assets into the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity
- available-for-sale investments

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

The assets and liabilities are part of a portfolio of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information regarding these instruments are reported to the key management personnel on a fair value basis.

These investments are initially recorded at fair value with transaction costs expensed in the profit or loss. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss in the period in which they arise. Financial assets at fair value through profit or loss comprise of quoted shares. Non-derivative financial assets at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the statement of financial position, which are classified as non-current.

(ii) <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate less provision for impairment. Gains or losses on loans and receivables are recognised in profit or loss. The groups loans and receivables include loans issued to corporate individuals and loan and advances to customers. These loans and advances are reviewed annually for impairment using the applicable prudential guidelines and as ultimately determined by objective review of the recoverability of the receivables.

(iii) <u>Held-to-maturity financial assets</u>

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets comprise mostly of bonds on lien. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest. Interest income on held-to-maturity financial instruments is included in profit or loss. In the event of impairment, it is being reported as a deduction from the carrying value of the investment and recognised in profit or loss.

(iv) <u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceeding categories. They include financial assets in unquoted shares and mutual funds. These financial assets are initially recorded at fair value plus transaction costs. Where equity instruments do not have a quoted market price and their fair value cannot be reliably measured the instruments have to be measured at cost. After initial measurement, available-for-sale financial assets are measured at fair value. In cases where the fair value of unlisted equity cannot be measured reliably, the instruments are carried at cost less impairment. Fair value gains and losses are reported as a separate component in other comprehensive income until the financial assets are derecognised or the financial assets are determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are reclassified to profit or loss.

(v) <u>Reclassification of financial assets</u>

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as at the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

(vi) Impairment of financial assets

Financial assets carried at amortised cost

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of finacial assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor ;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of issuers or debtors in the group; or national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a write-down allowance account, and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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 (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the write-down allowance account. The amount of the reversal is recognised, to the maximum of past impairment loss(es) previously recognised in profit or loss.

Allowance for impairment on loan and advances

Allowance for impairment on mortgage loan receivables and other receivables are made based on estimated possible losses which may arise from non-collection of certain receivable accounts. The Group applies Loan-loss provision and Credit portfolio classification requirements of Central Bank of Nigeria (CBN) Prudential Guidelines coupled with significant management judgment to determine the adequacy of the allowance for doubtful debts to cover any losses which may be incurred from uncollectible accounts on outstanding loan and other receivables as of the end of the reporting period.

Loan-loss Provision and Credit Portfolio Classification requirements of CBN

In accordance with this Statutory Guideline, Credit facilities are classified as either performing or non-performing and are stated after the deduction of appropriate provision.

Provision is made for each account that is not performing in accordance with the terms of the related facility as follows:

Period of non-performance	*Classification*	*Provision for outstanding* principal balane
1 - 30 Days	Pass & Watch	5%
31 - 60 Days	Substandard	20%
61 - 90 Days	Doubtful	50%
91 or more days or restructured	Lost	100%

i) **Adapting the CBN Prudential Guidelines to IFRS**

With effect from 1 July 2010, as prescribed by CBN Prudential Guideline, the Group is required to make provisions for loans as prescribed in the relevant IFRS. Provisions for loans recognised in the Income statement are determined based on the requirements of IFRS. However, the IFRS provisions are compared with provisions determined under the prudential guidelines and the expected impact/changes are treated in general reserve as follows:

(i) Where the Prudential Provisions is greater than IFRS provisions; the company transfers the difference from the general reserve to a non-distributable "Regulatory Credit Risk's Reserve".

(ii) Where the Prudential Provisions is less than IFRS provisions; the Company transfers the resulting excess charges from the Regulatory Credit Risk Reserve to the general reserve to the extent of the non-distributable reserve previously recognized. "Regulatory Credit Risk Reserve" is classified under Tier 1 as part of the Company's core capital. However, the groups loan and advances are carried in the statement of financial position and their recoverable amount in line with the provision of IFRS.

Assets classified as available for sale

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

The cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. Impairment losses recognised on equity instruments are not reversed through profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(vii) **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 and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.3 Trade receivables

Trade receivables are recognised when due. These include amounts due from agents, brokers, reinsurers, co-insurers, insurance contract holders and property buyers. They are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. An allowance for impairment is made when there is an objective evidence (such as the probability of solvency or financial difficulties of the debtors) that the Group will not be able to collect all amount due under the original terms of the invoice. If there is objective evidence that the insurance receivables are impaired, the Group reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment using the model that reflects the company's historical outstanding premium collection ratio per sector. If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, the previously 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 impairment loss is recognised in profit or loss.

4.4 Reinsurance assets

These are assets arising from contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, and which also meets the definition of insurance contracts.
Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

4.5 Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the origination of insurance contracts. These costs are amortised and deferred over the terms of the related policies to the extent that they are considered to be recoverable from unearned premium. Amount of acquistion cost calculated at every statement of financial position date is recognised as asset in the statement of financial position. Periodical movement in deferred acqusition costs is recognised in profit or loss.

4.6 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 Group 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 profit or loss. Prepayments are carried at cost less accumulated impairment losses.

Loan to policy holders represents loans granted to investment contract holders and it is fully secured by the investment contract balance of the customers. Policy loan is measured at fair value on initial recognition less any attributable transaction costs. Subsequently, the asset is measured at amortised cost using effective interest rate method less any impairment.

Impairment on individual policy loan is evaluated at end of each reporting period on a case by case basis. The impairment is calculated as the difference between the present value of future cash flows, discounted at the loan's original effective interest rate and the loan's carrying value.

4.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As Lessor

Finance leases

Assets held under finance leases are recognized as finance lease receivables of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest income and capital redemption of the asset, Interest is recognized immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets. Contingent rentals are recognised as income in the periods in which they are earned.

4.8 Inventories

The Group recognises property as inventory under the following circumstances:

- property held for sale in the ordinary course of business;
- property in the process of construction (work in progress under the scope of IAS 11, 'Construction Contracts');
- property purchased for the specific purpose of resale;
- property constructed for the specific purpose of resale;
- property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sell; and
- Other items, including work in progress, to be consumed in construction of property for resale

They are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads that have been incurred in bringing the inventories and work in progress to their present location and condition. Cost is determined using weighted average cost. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

4.9 Investment in subsidiaries

The consolidated financial statements incorporates the financial statements of the Company and all its subsidiaries where it is determined that there is a capacity to control. Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists. Control is usually present when an entity has:

- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group. In its separate accounts, the Company accounts for its investment in subsidiaries at cost. Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated in the same manner as unrealised gains, but only to the extent that there is no impairment. Consistent accounting policies are used throughout the Group for the purposes of consolidation.

4.10 Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over these policies. Significant influence is generally demonstrated by the Group holding in excess of 20%, but less than 50%, of the voting rights. The Group's share of results of the associate entity is included in the consolidated income statement. Investments in associates are carried in the statement of financial position at cost plus the Group's share of post-acquisition changes in the net assets of the associate. Investments in associates are reviewed for any indication of impairment at least at each reporting date. The carrying amount of the investment is tested for impairment, where there is an indication that the investment may be impaired. When the Group's share of losses or other reductions in equity in an associate equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is included in the carrying amount of the investment and assessed for impairment as part of the investment. A gain on acquisition is recognised immediately in profit or loss if there is an excess of the Group's share of the fair value of the identifiable net assets acquired over the cost of the acquisition. The Group's share of the results of associates is based on financial statements made up to a date not earlier than three months before the statement of financial position date, adjusted to conform with the accounting policies of the Group. Unrealised gains and losses on transactions are eliminated to the extent of the Group's interest in the investee. Losses may provide evidence of impairment of the asset transferred, in which case appropriate provision is made for impairment. In the separate financial statements of the Company, investments in associates are stated at cost less accumulated impairment losses, if any.

4.11 Investment in properties

Investment property is property held to earn rental income or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost. Subsequently, investment property is carried at fair value representing the open market value at the statement of financial position date determined by annual valuations carried out by external registered valuers. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of the investment properties is a reasonable approximate of their values as at the date of the Statement of Financial Position presented.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as expense in the year in which it is incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to comprehensive income.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in other comprehensive income.

4.12 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 Group 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.

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 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 is 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 amortisation 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 profit or loss when the asset is derecognised.

Amortisation 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.

4.13 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interest in the acquiree and the fair value of the acquirer's previoiusly held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable asseets acquired and the liabilities assumed. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is presented by each primary reporting segment.

4.14 Property, Plant and Equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Property , plant and equipment, includes a work in progress owner-occupied property, this is stated at cost to date, and yet to be decomponetised as the asset is not ready for use.

Subsequent costs to property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. Subsequently, land and building can either be carried at cost or at revalued amount.

Gains and losses in the carrying amount of an item of property, plant and equipment arising on revaluation are recognised in equity.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

Leasehold land	Over the remainder of the Life of the Lease
Leasehold building	20%
Building in progress -	Nil
Plant & Machinery	20%
Motor Vehicles	25%
Computer Equipment	20%
Office Equipment	20%
Furniture & Fittings	20%

Depreciation of an item of property, plant and equipment commences when it is available for use and continues to be depreciated until it is derecognised, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use or is being held for disposal.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use.

Repairs and maintenance expenses are charged to the profit or loss in the year in which they are incurred.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Revaluation of land and building

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

When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in the statement of profit or loss.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in the statement of profit or loss.

De-recognition

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

(i) Impairment of non-financial assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

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

4.15 **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, CAP I17, LFN 2004 Statutory deposit is measured at cost.

4.16 **Insurance contract liabilities**

In accordance with IFRS 4, the company has continued to apply the accounting policies it applied in accordance with pre-changeover Nigerian GAAP subject to the use of Liability Adequacy Test. Balances arising from insurance contracts primarily includes unearned premium, provisions for outstanding claims and adjustment expenses and a provision for incurred but not reported claims, re-insurers share of provision for unearned premium and outstanding claims and adjustment expenses, deferred acquisition costs, and salvage and subrogation receivables.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, and is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of deferred acquisition cost, by using an existing liability adequacy test as laid out under the Insurance Act, CAP I17, LFN, 2004. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment such as:

Discounted cash flows,

i) Option pricing models and stochastic modelling.
ii) Aggregation levels and the level of prudence applied in the test are consistent with the requirements of Insurance Act, CAP I17, LFN, 2004.

To the extent that the test involves discounting of cash flows, the interest rate applied may be prescribed by Insurance Act regulations or may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in profit or loss, initially by impairing PVIF and Deferred Acquisition Cost and, subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under Insurance Act, CAP I17, LFN 2004.

(i) **Reserves for unearned premium**

In compliance with Section 20 (1) (a) of Insurance Act, CAP I17, LFN 2004, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

(ii) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus an estimate of claims incurred but not reported ("IBNR") as at the date of the statement of financial position. The IBNR is based on the liability adequacy test.

(iii) Reserves for unexpired risk

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

(iv) Liability adequacy test

At each reporting date, the company performs a liability adequacy test through an Actuary on its insurance contract liabilities less deferred acquisition costs to ensure the carrying amount is adequate, using current estimate of future cash flows, taking into consideration the relevant investment return. If the estimate shows the carrying amount of liabilities is inadequate, any deficiency is recognised as an expense to profit or loss initially by writing off the deferred acquisition expense and subsequently by recognising an additional claims liability for claims provisions.

4.17 Investment contracts liabilities

The Group administers the funds for a number of retirement benefit schemes. The Group also sells investment products which are embedded in the insurance policies purchased by individuals. The liability of the Company to the schemes is included in the statement of financial position. The investment contracts are classified into two categories:

i) Investment contacts -Group
ii) Investment contracts- Individual

Receipts from administered schemes are initially recognised in group investment contract liabilities. Guaranteed interest on the schemes is recognised in profit or loss and credited to group investment contract liabilities. Actuarial differences arising on valuation of the liabilities at the reporting date is recognised in profit or loss. Group investment contract liabilities are derecognised when paid, refunded or cancelled.

Deposits from savings and investment policies are initially recognised in individual investment contract liabilities. Guaranteed interest on the policies is recognised in profit or loss and credited to individual investment contract liabilities. Actuarial differences arising on valuation of the liabilities at the reporting date is recognised in profit or loss. Individual investment contract liabilities are derecognised when settled at maturity, surrendered or used to offset policy loans.

4.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

The estimated fair value of payables with no stated maturity which includes no interest payables is the amount repayable on demand.

4.19 Other payables and accruals

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate. 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.

4.20 Borrowings

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 rate.

Fees paid on the establishment of loan facilities are recognised as a 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.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liabilities for at least twelve months after the date of the statement of financial position.

4.21 Deposit from customers

Deposits from customers include current, term and savings deposits with the Group by depositors. Deposits from customers are initially recognised in liabilities at fair value and subsequently measured at amortised cost.

Interest paid on the deposits is expensed as 'interest and similar expense in profit or loss' during the period in which the Group has the obligation to pay the interest.

Deposits are derecognised when repaid to customers on demand or used to offset amount(s) due from the customer as agreed in the contract.

4.22 Current income tax

Current income tax is the amount of income tax payable on the taxable results for the year determined in accordance with the Companies Income Tax Act, CAP I17, LFN 2004 (As amended). The tax rates and tax laws used to compute the liability are those that are enacted or substantively enacted as at the reporting date.

4.23 Deferred Income tax

Deferred income tax is provided in full on all temporary differences except for those arising on the initial recognition of an asset or liability. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the statement of financial position date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off such as:

- current tax assets against current income tax liabilities and
- the deferred taxes relate to the same taxable entity and
- the same taxation authority

4.24 Share capital and premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Equity Instruments issued are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax

4.25 Contingency Reserve

This is credited with an amount equal to higher of 1 percent of the gross premium and 10 percent of the net profit (whichever is greater and accumulated) until it reaches the amount of the minimum paid up capital, in accordance with section 22(1)(b) of the Insurance Act, CAP I17, LFN 2004

4.26 Retained earnings

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

4.27 Gross premium

(i) Premiums

Gross premiums comprise the premiums on life insurance and life insurance component of investment contracts 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.

(ii) 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.

(iii) Reinsurance premium

The Company cedes insurance risk in the normal course of its business for businesses that exceed its risk retention limit.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognised as expense in accordance with the pattern of indemnity received.

4.28 Claims expenses

Claims expenses 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 represent 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 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 profit or loss in the financial period in which adjustments are made, and disclosed separately, if material. Reinsurance recoverables are recognised when the Group records the liability for the claims and are not netted off claims expense but are presented separately in profit or loss. Claims incurred in respect of long-term insurance contracts (i.e. pure life business and annuity 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.

(i) Gross benefits and claims

Gross benefits and claims for life insurance contracts 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 outstanding claims and incurred but not reported claims. The classes of claims recognised are death claims, maturity claims, and annuity payments. Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(ii) Reinsurance claims

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

4.29 Fees and commission

Fees and commission consist of reinsurance commission which is recognised as income over the period of the underlying contracts. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

4.30 Investment income

Investment income is recognised in 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 term.

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

4.31 Other operating income

Other operating income are income that are earned by the Group outside the ordinary course of business. They includes the Group's microfinance fees and commission; SMS, closed accounts and default charges; income from logistics operations.

Unless included in the effective interest calculation, microfinance fees and commissions are recognised on an accruals basis in profit or loss as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, portfolio and other management advisory and service fees are recognised based on the applicable service contracts. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Income from logistics operations is recognised in profit or loss in the period during which the service is rendered if it is probable that future economic benefits will flow to the Group.

4.32 Net income from microfinance: Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.33 Net income from real estate operations:

(i) Revenue from real estate operations

Revenue from sale of properties is recognised when the Group has transferred the significant risks and rewards of ownership of the properties to the buyer; it no longer retains control or managerial involvement over the properties; and it is probable that future economic benefits will flow to the Group.

Revenue is measured at the fair value of consideration received, taking into account any trade discounts and volume rebates.

If the sale transaction includes a financing element, the Group measures the revenue by discounting all future cash receipts at an imputed rate of interest.

(ii) Cost of real estate operations

Cost of real estate operations include cost incurred in acquisition and construction of properties sold. Cost of properties sold is expensed in profit or loss in the same period the associated revenue is recognised in line with matching concept.

4.34 Impairment charge

Impairment of assets (financial and non-financial) is assessed based on impairment policies under the respective assets. Impairment provision so determined is charged to profit or loss in the period in which it is assessed. Subsequent reversal of impairment charge of an impairment loss is recognised in profit or loss.

4.35 Management expenses

(i) Expenses of marketing and administration

These are expenses other than claims, investment expenses and underwriting expenses. They include administrative expenses, selling expenses, management and other non-operating expenses. These expenses are accounted for on an accrual basis and recognised in the profit or loss upon utilisation of the service or the date of their origin.

(ii) Employee benefit expenses

These are costs incurred in respect of services rendered by the Group's workforce. They include staff salaries, wages, and the Group's contribution to defined contribution scheme. These expenses are accounted for on an accrual basis and recognised in the profit or loss upon utilisation of the service or the date of their origin.

The Group operates a defined contributory pension scheme for eligible employees. Employees and the Group contributes 7.5% each of the qualifying staff's salary in line with the provisions of the Pension Reform Act, 2004. The Group pays contributions to the appointed pension fund administrators on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expenses when they are due. Prepaid contributions are recognised as asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Other operating expenses

These are expenses other than marketing and administration expenses and employee benefit expenses. They include depreciation and amortisation charges, professional fees, depreciation, management and other operating expenses. These expenses are accounted for on an accrual basis and recognised in the profit or loss upon utilisation of the service or the date of their origin.

4.36 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.37 Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. Where changes are made and affect the statement of financial position, a third statement of financial position at the beginning of the earliest period is presented together with the corresponding notes.

4.38 Events after the statement of financial position date

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

Statement of Financial Position

As at 31 December 2013

		Group	Restated Group	Company	Restated Company
	Note	31 December 2013	31 December 2012	31 December 2013	31 December 2012
		N'000	N'000	N'000	N'000
ASSETS					
Cash and cash equivalents	8	2,545,132	700,779	2,437,248	664,296
Financial assets					
- Loans and receivables	9	8,470,687	6,709,918	12,007,347	11,193,019
Trade receivables	10	8,380	47,817	8,380	47,817
Reinsurance assets	11	156,784	324,994	156,784	324,994
Deferred acquisition costs	12	66,351	38,126	66,351	38,126
Other receivables and prepayments	13	2,644,581	1,310,952	2,621,630	1,824,361
Finance lease receivables	14	467,666	552,924	467,544	552,802
Inventories	15	3,614,524	4,599,587	-	-
Investment in subsidiaries	16	-	-	175,038	181,331
Investment in associate	17	-	-	-	-
Investment in properties	18	1,846,398	-	1,846,398	-
Deferred income tax assets	29(c)	16,074	16,074	16,074	16,074
Intangible assets	19	14,486	21,647	10,774	15,918
Goodwill	20	4,273	4,273	-	-
Property, plant and equipment	21	416,593	496,834	167,825	102,163
Statutory deposit	22	200,000	200,000	200,000	200,000
TOTAL ASSETS		20,471,929	15,023,925	20,181,393	15,160,901
LIABILITIES					
Insurance contract liabilities	23	1,704,176	2,163,841	1,704,176	2,163,842
Investment contract liabilities	24	14,927,699	10,097,239	14,927,699	10,097,239
Trade payables	25	73,279	34,367	73,279	34,367
Other payables and accruals	26	2,088,000	874,981	719,839	235,746
Borrowings	27	603,192	317,610	-	-
Deposits from customers	28	277,369	197,688	-	-
Current income tax liabilities	29	191,199	156,468	157,779	127,431
Deferred income tax liabilities	29(b)	137,592	81,986	31,264	12,339
TOTAL LIABILITIES		20,002,506	13,924,180	17,614,036	12,670,964
EQUITY					
Share capital	30	150,000	150,000	150,000	150,000
Share premium	31	1,850,000	1,850,000	1,850,000	1,850,000
Contingency reserve	32	219,845	194,504	219,845	194,504
Retained earnings	33	(1,783,855)	(1,124,765)	347,512	295,433
Exchange translation reserve		-	-	-	-
Total equity attributable to the owners of the parent		435,990	1,069,739	2,567,357	2,489,937
Non-controlling interest in equity	34	33,433	30,006	-	-
TOTAL EQUITY		469,423	1,099,745	2,567,357	2,489,937
TOTAL LIABILITIES AND EQUITY		20,471,929	15,023,925	20,181,393	15,160,901

Signed on behalf of the Board of Directors on 5 June 2014 by:

Additionally certified by:

Mr. Amusa Lateef
Chief Finance Officer
FRC/2013/ICAN/00000002486

Mr. Femi Asenuga
Managing Director
FRC/2013/CIIN/00000003104

Mr. Omosehin Olusegun
Director
FRC/2013/CIIN/00000003103

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
Statement of Comprehensive Income
for the year ended 31 December 2013

	Notes	Group	Restated	Company	Restated
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
		N'000	N'000	N'000	N'000
Gross premium written	35	2,534,143	2,700,936	2,534,143	2,700,936
Gross premium income	35	2,170,345	2,675,919	2,170,345	2,675,919
Re-insurance expenses	35	(75,460)	(97,941)	(75,460)	(97,941)
Net premium income		2,094,885	2,577,978	2,094,885	2,577,978
Fees and commission	35(c)	51,185	34,546	51,185	34,546
Net underwriting income		2,146,070	2,612,524	2,146,070	2,612,524
Claim expenses	36	1,038,357	1,327,750	1,038,357	1,327,750
Underwriting expenses	37	438,027	397,274	438,027	397,274
Total underwriting expenses		1,476,384	1,725,024	1,476,384	1,725,024
Underwriting results		669,686	887,500	669,686	887,500
(Loss)/Gain on investment contract liabilities	38	(485,722)	(15,563)	39,883	221,742
Investment income	39	214,096	281,960	308,682	368,870
Other income	40	382,447	345,998	192,343	-
Net interest income from Microfinance Bank	41	170,962	137,561	-	-
Net (loss)/income from real estate operations	42	(71,922)	17,852	-	-
Impairment no longer required	43(a)	167,677	489,664	181,384	489,660
Impairment charge	43(b)	(33,963)	(873,375)	(20,000)	(1,030,569)
Management expenses	44	(1,550,216)	(1,060,469)	(1,245,285)	(791,125)
Results of operating activities		(536,955)	211,128	126,693	146,078
(Loss)/profit before tax		(536,955)	211,128	126,693	146,078
Income tax expense	29(a)	(93,367)	(64,627)	(49,273)	(20,050)
(Loss)/profit for the year		(630,322)	146,501	77,420	126,028
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Reclassification of foreign exchange reserve on disposal of associate		-	(135)	-	-
Other comprehensive income for the year		-	(135)	-	-
Total comprehensive income for the year		(630,322)	146,366	77,420	126,028
(Loss)/profit for the year attributable to:					
Owners of the parent		(633,749)	140,194	77,420	126,028
Non-controlling interests	34(a)	3,427	6,307	-	-
(Loss)/profit for the year		(630,322)	146,501	77,420	126,028
Total comprehensive income for the year attributable to:					
Owners of the parent		(633,749)	140,059	77,420	126,028
Non-controlling interests	34(a)	3,427	6,307	-	-
Total comprehensive loss for the year		(630,322)	146,366	77,420	126,028
(Loss)/earnings per share:					
Basic and diluted (kobo)	45	(420)	98	52	84

Statement of Changes in Equity
Year ended 31 December 2013
Group

	Share capital N'000	Share premium N'000	Contingency reserve N'000	Foreign exchange translation reserve N'000	Retained earnings N'000	Total N'000	Non Controlling interest N'000	Total equity N'000
Balance 1 January, 2013	150,000	1,850,000	194,504	-	(1,124,765)	1,069,739	30,006	1,099,745
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	(633,749)	(633,749)	3,427	(630,322)
Transfer to contingency reserve	-	-	25,341	-	(25,341)	-	-	-
Other comprehensive income:						-	-	-
Reclassification of foreign exchange reserve on disposal of associate	-	-	-			-	-	-
Total comprehensive income for the year	-	-	25,341	-	(659,090)	(633,749)	3,427	(630,322)
Transactions with owners recorded directly in equity								
Contributions by and distribution to owners								
Dividends to equity holders	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
Balance 31 December, 2013	150,000	1,850,000	219,845	-	(1,783,855)	435,990	33,433	469,423
Balance 1 January, 2012	150,000	1,850,000	167,495	135	(1,237,950)	929,680	23,699	953,379
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	140,194	140,194	6,307	146,501
Transfer to contingency reserve (restated)	-	-	27,009	-	(27,009)	-	-	-
Other comprehensive income:						-	-	
Reclassification of foreign exchange reserve on disposal of associate	-	-	-	(135)	-	(135)	-	
Total comprehensive income for the year			27,009	(135)	113,185	140,059	6,307	146,366
Transactions with owners recorded directly in equity								
Contributions by and distribution to owners								
Dividends to equity holders	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Balance 31 December, 2012	150,000	1,850,000	194,504	-	(1,124,765)	1,069,739	30,006	1,099,745

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

Statement of Changes in Equity
Year ended 31 December 2013
Company

	Share capital N'000	Share premium N'000	Contingency reserve N'000	Retained earnings N'000	Total N'000
Balance 1 January, 2013	150,000	1,850,000	194,504	295,433	2,489,937
Total comprehensive income for the year:					
Profit for the year	-	-	-	77,420	77,420
Transfer to contingency reserve	-	-	25,341	(25,341)	-
Other comprehensive income:	-	-	-	-	-
Total comprehensive income for the year	-	-	25,341	52,079	77,420
Transactions with owners recorded directly in equity					
Contributions by and distribution to owners					
Dividends to equity holders	-	-	-		-
Total transactions with owners	-	-	-	-	-
Balance 31 December, 2013	150,000	1,850,000	219,845	347,512	2,567,357
Balance 1 January, 2012	150,000	1,850,000	167,495	196,414	2,363,909
Total comprehensive income for the year:					
Profit for the year	-	-	-	126,028	126,028
Transfer to contingency reserve (restated)	-	-	27,009	(27,009)	-
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	27,009	99,019	126,028
Transactions with owners recorded directly in equity					
Contributions by and distribution to owners					
Dividends to equity holders	-	-	-	-	-
	-	-	-	-	-
Balance 31 December, 2012	150,000	1,850,000	194,504	295,433	2,489,937

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
Statement of Cash Flows
for the year ended 31 December 2013

	Notes	Group		Company	
		31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Cash flows from operating activities					
Receipts from premiums, annuities and other policy receipts		11,057,889	8,291,106	12,038,043	8,291,106
Payments for premiums, annuities and other policy payments		(75,460)	(96,420)	(75,460)	(96,420)
Payments for claims, surrenders, maturities and other policy benefits		(7,260,606)	(2,970,851)	(7,260,606)	(2,970,851)
Receipts from fees, commissions and other revenue		51,185	-	51,185	-
Payments for fees, commissions and other expenses		(111,735)	(1,014,126)	(111,735)	(1,014,126)
Interest received		182,130	146,270	-	-
Interest paid		(11,168)	(8,709)	-	-
Deposits received from customers		79,681	108,671	-	-
Cash loans and advances made to customers		(102,530)	(111,851)	-	-
Cash loans and advances made to staff		(12,907)	(50,849)	(19,742)	(41,470)
Receipts from sales of properties and rendering of services		-	331,714	-	-
Receipts from investment of policy funds		-	148,537	-	148,537
Payments to and on behalf of employees		(392,590)	(358,730)	(258,500)	(233,387)
Other cash receipts from operating activities		-	345,998	-	-
Other cash payments from operating activities		101,074	(2,495,089)	(1,971,852)	(1,882,644)
Income tax paid		(3,030)	(2,572)	-	(2,572)
Net cash from operating activities	48	3,501,933	2,263,099	2,391,333	2,198,173
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		2,153	775	1,217	-
Purchase of property, plant and equipment		(143,695)	(266,270)	(124,856)	(65,512)
Purchase of investment property		(1,667,403)	-	-	-
Purchase of intangible assets		-	(3,762)	-	(1,718)
Proceeds from sale of investment in associate		-	205,502	-	205,502
Receipts from finance lease receivables		235,783	382,350	85,258	382,106
Receipts from loans and receivables made to Corporate entities		110,000	300,000	110,000	300,000
Loans made to Corporate entities		(480,000)	(3,403,886)	(690,000)	(3,403,886)
Net cash used in investing activities		(1,943,162)	(2,785,291)	(618,381)	(2,583,508)
Cash flows from financing activities					
Interest received		-	-	-	-
Proceeds from borrowings		285,582	82,481	-	-
Repayments of borrowings			(18,000)	-	-
Net cash flow from financing activities		285,582	64,481	-	-
Net increase/(decrease) in cash and cash equivalents		1,844,353	(457,711)	1,772,952	(385,335)
Cash and cash equivalents at the beginning of the year		700,779	1,158,490	664,296	1,049,631
Cash and cash equivalents at the end of the year		2,545,132	700,779	2,437,248	664,296

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimate and assumptions about the future that affects the reported amounts of assets and liabilities. Estimates and judgement are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The annual accounting basis is used to determine the underwriting result of each class of insurance business written.

The effect of a change in an accounting estimate is recognized prospectively by including it in the comprehensive income in the period of the change, if the change affects that period only, or in the period of change and future period, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims. The uncertainty arises because all events affecting the ultimate settlement of the claims have not taken place and may not take place for some time.

Changes in the estimate of the provision may be caused by receipt of additional claim information, changes in judicial interpretation of contract, or significant changes in severity or frequency of claims from historical records. The estimates are based on the company's historical data and industry experience. The ultimate claims liability computation is subjected to a liability adequacy test by an actuarial consultant using actuarial models.

(b) Impairment of available-for-sale equity financial assets

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The group adopts costs less impairment to determine the fair value of its available for sale financial assets as no observable market data exist for this asset.

(c) Impairment of trade receivables

Impairment of trade receivables requires management judgment. Internal models are developed based on company specific collectability factors and trends to determine amounts to be provided for impairment of trade receivables. Efforts are made to assess significant debtors individually based on information available to management and where there is objective evidence of impairment they are appropriately impaired. Furthermore, all trade receivables not paid three months subsequent to the year end and, trade receivables not acknowledged by the Insurance Brokers is fully impaired. Other trade receivables either significant or otherwise that are not specifically impaired are grouped on a sectoral basis and assessed based on a collective impairment model that reflects the company's debt collection ratio per sector.

(d) Deferred acquisition costs (DAC)

Commissions that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). The amount of commission to be deferred is directly proportional to the time apportionment basis of the underlying premium income to which the acquisition cost is directly related.

(e) Income taxes

The Group periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

6.0 MANAGEMENT OF INSURANCE RISKS

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

6.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is fortuitous and therefore unexpected and unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and indemnity payments exceed the carrying amount of the insurance liabilities.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

i Frequency and severity of claims

The frequency and severity of claims can be affected by several factors the most significant resulting from events like death and their consequences and liability claims. Inflation is another factor that may affect claims payments.

Underwriting measures are in place to enforce appropriate risk selection criteria or not to renew an insurance contract.

The reinsurance arrangements for proportional and non-proportional treaties are such that the Company is adequately protected and would only suffer predetermined amounts.

ii Concentration of insurance risk

The following table discloses the concentration of claims by class of business gross and net of reinsurance.

	Outstanding claims					
Class of Business	2013			2012		
	No. of claims	Gross N'000	Net N'000	No. of claims	Gross N'000	Net N'000
Group Life	796	1,277,338	1,120,554	191	3,391,949	3,066,955
Deposit Administration	435	323,349	252,901	91	105,747	105,747
	1,231	1,600,687	1,373,455	282	3,497,696	3,172,702

iii Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted.

The Company claims are short tail and are settled within a short time and the Company's estimation processes reflect with a higher degree of certainty all the factors that influence the amount and timing.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR and a provision for reported claims not yet paid at the statement of financial position date. The Company has ensured that liabilities on the balance sheet at year end for existing claims whether reported or not, are adequate. The Company has in place a series of quota-share and excess of loss covers in each of the last four years to cover for losses on these contracts.

iv Financial risk

The Company is exposed to financial risks through its financial assets, financial liabilities and insurance and reinsurance assets and liabilities. In particular, the key financial risk is that investment proceeds are not sufficient to fund obligations arising from insurance contracts.

The most important components of this financial risk are:
- Market risk (which includes currency risk, interest rate risk and equity price risk)
- Credit risk;
- Liquidity risk;
- Capital management; and
- Fair value estimation

These risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and open market movements.

The Company's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and control, and monitor the risks and adherence to limits by means of reliable and up-to-date administrative and information systems.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board recognises the critical importance of having efficient and effective risk management policies and systems in place.

To this end, there is a clear organisational structure with delegated authorities and responsibilities from the Board to Board Committees, executives and senior management, individual responsibility and accountability are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

v Market risk

·Market risk is the risk of adverse financial impact due to changes in fair value of future cashflows of financial instruments from fluctuations in foreign currency exchange rates, interest rates and equity prices.

The Company has established policies which set out the principles that they expect to adopt in respect of management of the key market risks to which they are exposed. The Company monitors adherence to this market risk policy through the Company's Investment Committee. The Company's Investment Committee is responsible for managing market risk.

The financial impact from market risk is monitored at board level through investment reports which examine impact of changes in market risk in investment returns and asset values. The Company's market risk policy sets out the principles for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the monitoring processes that are required.

vi Currency risk

The Company purchases reinsurance contracts internationally, thereby being exposed to foreign currency fluctuations.

The Company's primary exposures are with respect to the US Dollar.

The Company has a number of investments in foreign currencies which are exposed to currency risk. The Investment Committee closely monitors currency risk exposures against pre-determined limits. Exposure to foreign currency exchange risk is not hedged.

The Company financial assets and financial liabilities by currency is detailed below:

At 31 December 2013	N'000	£'000	Equivalent in N'000 €'000	$'000	Total
Assets:					
Non-current assets	15,047,784	-	-	-	15,047,784
Current assets	2,696,361	-	-	-	2,696,361
Bank balances, deposits and cash	2,437,248	-	-	-	2,437,248
TOTAL ASSETS	20,181,393	-	-	-	20,181,393
Liabilities:					
Current liabilities	2,655,073	-	-	-	2,655,073
Non-current liabilities	14,958,963	-	-	-	14,958,963
TOTAL LIABILITIES	17,614,036	-	-	-	17,614,036

At 31 December 2012	N'000	£'000	Equivalent in N'000 €'000	$'000	Total
Assets:					
Non-currents assets	12,586,301	-	-	-	12,586,301
Current assets	1,910,304	-	-	-	1,910,304
Bank balances, deposits and cash	664,296	-	-	-	664,296
TOTAL ASSETS	15,160,901	-	-	-	15,160,901
Liabilities:					
Current liabilities	4,369,875	-	-	-	4,369,875
Non-current liabilities	8,301,089	-	-	-	8,301,089
TOTAL LIABILITIES	12,670,964	-	-	-	12,670,964

vii <u>Sensitivity</u>

If the Naira had weakened/strenthened against the following currencies with all variables remaining constant, the impact on the results for the year would have been as shown below mainly as a result of foreign exchange gains/losses:

	GBP		NAIRA		EURO	
Impact on Results :	+ 5% N'000	- 5% N'000	+ 5% N'000	- 5% N'000	+ 5% N'000	- 5% N'000
- At December 31, 2012						
- Financial assets	-	-	-	-	-	-
- Bank balances and deposits	-	-	121,862	(121,862)	-	-
At December 31,2013						
- Financial assets	-	-	-	-	-	-
- Bank balances and deposits	-	-	33,215	(33,215)	-	-

viii **Interest rate risk**

Interest rate risk arises from the Company's investments in long term debt securities and fixed income securities (Held to-Maturity financial assets), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the Investment Committee through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored.

Sensitivity

The impact on the Company's results, had interest rates varied by plus or minus 1% would have been as follows:

	Impact on results	
	+ 1%	- 1%
At December 31, 2013	N'000	N'000
- Held-to-maturity financial assets	-	-
- Loans and receivables	120,073	(120,073)
- Bank balances and deposits	24,372	(24,372)
At December 31, 2012		
- Held-to-maturity financial assets	-	-
- Loans and receivables	111,930	(111,930)
- Bank balances and deposits	6,643	(6,643)

ix **Equity price risk**

The Company is subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set the capital required for risks associated with type of assets held, investments above a certain concentration limit, policy liabilities risk, catastrophes risks and reinsurance ceded.

The Investment Committee actively monitors equity assets owned directly by the Company as well as concentrations of specific equity holdings. Equity price risk is also mitigated as the Company holds diversified portfolios of local and foreign investments in various sectors of the economy.

Sensitivity

The impact on the Company's shareholders' equity, had the equity market values increased/decreased by 10% with other assumptions left unchanged, would have been as follows:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

The amounts presented in the Statements of Financial Position are net of allowances for estimated irrecoverable amount receivables, based on management's prior experience and the current economic environment.

The Company has no significant concentration of credit risk in respect of its insurance business with exposure spread over a large number of clients, agents and brokers. The Company has policies in place to ensure that sales or services are made to clients, agents and brokers with sound credit history.

x **Reinsurance credit exposures**

The Company is however exposed to concentrations of risks with respect to their reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Company is exposed to the possibility of default by their reinsurers in respect of share of insurance liabilities and refunds in respect of claims already paid.

The Company manages its reinsurance counterparty exposures and the reinsurance department has a monitoring role over this risk.

This exposure is monitored on a regular basis for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Company will arise.

Management also monitors the financial strength of reinsurers and there are policies in place to ensure that risks are ceded to top-rated and credit worthy reinsurers only.

xi **Estimates of future claims payments**

Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience. Similar cases and historical claims payment trends are also relevant.

The Company employs a variety of techniques and a number of different bases to determine appropriate provisions. These include:

- terms and conditions of the insurance contracts;
- knowledge of events;
- court judgements;
- economic conditions;
- previously settled claims;
- triangulation claim development analysis;
- estimates based upon a projection of claims numbers and average cost; and
- expected loss ratios.
- Actuarial valuation

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjuster's recommendations or based on management's experience.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provision and having due regard to collectability.

xii **Sensitivity**

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used.

xiii **Uncertainties and judgements**

The uncertainty arising under insurance contracts may be characterised under a number of specific headings. such as:

- uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occuring;
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends, unreported information etc.

xiv **Reinsurance**

The Company is exposed to disputes on, and defects in, contract wordings and the possibility of default by its reinsurers. The Company monitors the financial strength of its Reinsurers. Allowance is made in the financial statements for non recoverability due to reinsurers default.

6.2 Capital Management

The main objectives of the group when managing capital are:

- to ensure that the Minimum Capital Requirement of N2billion as required by the Insurance Act, CAP I17, LFN 2004, is maintained at all times.

- to safeguard the Company's ability to continue as a going concern so that it can continue to generate returns for shareholders and benefits for other stakeholders; and

- to provide an adequate return to shareholders by pricing insurance contracts and other services commensurately with the level of risk.

- to maintain a strong risk rating

- to determine capital requirement for each business activity based on returns generated on capital to facilitate growth, expansion of existing businesses.

- to establish the efficiency of capital utilisation.

The Insurance Act CAP I17, LFN 2004 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e in respect of outstanding claims liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

In the management of the Company's capital, the company tries to invest in admissible assets as stipulated by NAICOM. This policy has been consistently maintained.

The Company is also subject to a solvency requirement under the Insurance Act, CAP I17, LFN 2004 and is required to maintain its solvency at the minimum capital required at all times. Solvency margin is the excess of admissible assets in Nigeria over admissible liabilities in Nigeria and shall not be less than the minimum paid-up capital or 15% of the gross premium income less reinsurance premiums paid out during the year, whichever is higher in accordance with Section 24 of Insurance Act, CAP I17 LFN, 2004.

The National Insurance Commission (NAICOM), the regulator of the Nigerian insurance industry, specifies the minimum amount and type of capital that must be held by the Company to cover its liabilities. Life insurance companies are required to maintain a minimum capital requirement of N2billion. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company's capital base falls below this requirement as deemed necessary.

The Company's capital requirement ratio and Solvency margin are above the requirements of the Insurance Act CAP I17, LFN 2004 and proper internal controls are in place to ensure that they remain so.

Solvency position:
Based on the solvency margin calculated by the Company's professional actuaries, Alexander Forbes Consulting Actuaries Nigeria Limited. Mutual Benefits Life Assurance Limited has a deficit of N3.96billion.

Capital Base:
The capital base of the Company is as computed below:

	2013	
	N'000	N'000
Shareholders' fund as per Statement of Financial Position		2,567,357
Less:		
Intangible Assets	(10,774)	
Deferred income tax assets	(16,074)	
Due from related parties	(2,074,313)	
		(2,101,161)
Capital base		466,196

Management uses regulatory capital ratios to monitor its capital base. Based on the capital base computed above, the Company capital base is above the minimum capital requirement of N2 billion specified by NAICOM.

DETERMINATION OF SOLVENCY MARGIN	2013 N'000	2012 N'000
Cash and cash equivalents	2,437,248	664,296
Financial assets		
- Loans and receivables	7,949,950	11,193,019
Trade receivables	8,380	47,817
Reinsurance assets	156,784	324,994
Deferred acquisition costs	66,351	38,126
Other receivables and prepayments	147,317	1,824,361
Finance lease receivables	467,544	552,802
Investment in subsidiaries	175,038	181,331
Investment in Properties	1,846,398	-
Property, plant and equipment	167,825	102,163
Statutory deposit	200,000	200,000
Admissable assets	13,622,835	15,128,909
LIABILITIES		
Insurance contract liabilities	1,704,176	2,163,842
Investment contract liabilities	14,927,699	10,097,239
Trade payables	73,279	34,367
Other payables and accruals	719,839	235,746
Current income tax liabilities	157,779	127,431
Admissible liabilities	17,582,772	12,658,625
Solvency margin	(3,959,937)	2,470,284
Minimum share capital	2,000,000	2,000,000
(Shortfall)/excess solvency margin	(5,959,937)	470,284

The Company's capital requirement ratio and Solvency margin is below the requirements of the Insurance Act CAP I17, LFN 2004. In order to continually meet the company's obligation to policy holders, the Company is going to divest from non admissible assets to improve the solvency margin.

6.3 FINANCIAL ASSETS AND LIABILITIES

Categorisation of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Group:

	Held for Trading (carried at fair value)	Available for sale (fair value)	Held to maturity (carried at amortised cost)	Loans and receivables (carried at amortised cost)	Total
(i) **Financial assets**					
31 December 2013	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	-	-	-	2,545,132	2,545,132
Loans and receivables	-	-	-	8,470,687	8,470,687
Trade receivables	-	-	-	8,380	8,380
Reinsurance assets	-	-	-	156,784	156,784
Other receivables exlcluding prepayments	-	-	-	2,461,333	2,461,333
	-	-	-	13,642,316	13,642,316

	Derivatives used for hedging (fair value)	Designated at FVTPL	Other liabilities (carried at FVTPL)	Other liabilities (carried at amortised cost)	Total
Financial liabilities					
31 December 2013	N'000	N'000	N'000	N'000	N'000
Trade payables	-	-	-	73,279	73,279
Provision and other payables	-	-	-	2,088,000	2,088,000
	-	-	-	2,161,279	2,161,279

	Held for trading (FVTPL)	Held to maturity (carried at amortised cost)	Available for sale (fair value)	Loans and receivables (carried at amortised cost)	Total
(ii) **Financial assets**					
31 December 2012	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	-	-	-	700,779	700,779
Loans and receivables	-	-	-	6,709,918	6,709,918
Trade receivables	-	-	-	47,817	47,817
Reinsurance assets				324,994	324,994
Other receivables excluding prepayments	-	-	-	1,166,239	1,166,239
	-	-	-	8,997,564	8,997,564

Financial liabilities 31 December 2012	Derivatives used for hedging(fair value) N'000	Designated at FVTPL) N'000	Other liabilities (carried at FVTPL) N'000	Other liabilities (carried at amortised cost) N'000	Total N'000
Trade payables	-	-	-	34,367	34,367
Provisions and other payables	-	-	-	874,981	874,981
	-	-	-	909,348	909,348

Company:

(iii) Financial assets 31 December 2013	Held for Trading (carried at fair value) N'000	Available for sale (fair value) N'000	Held to maturity (carried at amortised cost) N'000	Loans and receivables (carried at amortised cost) N'000	Total N'000
Cash and cash equivalents	-	-	-	2,437,248	2,437,248
Loans and recievables	-	-	-	12,007,347	12,007,347
Trade receivables	-	-	-	8,380	8,380
Reinsurance assets				156,784	156,784
Other receivables excluding prepayments	-	-	-	2,528,884	2,528,884
	-	-	-	17,138,643	17,138,643

Financial liabilities 31 December 2013	Derivatives used for hedging(fair value) N'000	Designated at FVTPL N'000	Other liabilities (carried at FVTPL) N'000	Other liabilities (carried at amortised cost) N'000	Total N'000
Trade payables	-	-	-	73,279	73,279
Provision and other payables	-	-	-	719,839	719,839
	-	-	-	793,118	793,118

(iv) Financial assets 31 December 2012	Held for trading (FVTPL) N'000	Held to maturity (carried at amortised cost) N'000	Available for sale (fair value) N'000	Loans and receivables (carried at amortised cost) N'000	Total N'000
Cash and cash equivalents	-	-	-	664,296	664,296
Loans and receivables	-	-	-	11,193,019	11,193,019
Trade receivables	-	-	-	47,817	47,817
Reinsurance assets				324,994	324,994
Other receivables excluding prepayments	-	-	-	1,774,041	1,774,041
	-	-	-	14,004,167	14,004,167

Financial liabilities	Derivatives used for hedging(fair value)	Designated at FVTPL)	Other liabilities (carried at FVTPL)	Other liabilities (carried at amortised cost)	Total
31 December 2012	N'000	N'000	N'000	N'000	N'000
Trade payables	-	-	-	34,367	34,367
Provisions and other payables	-	-	-	235,746	235,746
	-	-	-	270,113	270,113

7 FAIR VALUE HIERARCHY

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of 'significant inputs used in fair value measurement as follows:

Level 1: Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities and equity securities unadjusted in an active market for identical assets and liabilities.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly of indirectly observable from market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities are as follows:

31 December 2013	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Group				
(i) Assets				
Held-for-trading financial assets	-	-	-	-
Available-for-sale fiancial assets	-	-	-	-
Total	-	-	-	-
Liabilities				
Trade payable	-	-	-	-
Other payables	-	-	-	-
Total	-	-	-	-
Fair value	-	-	-	-

The group does not have any liabilities stated at fair value

31 December 2012

(li) Assets	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Held for trading financial assets	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	-	-	-	-
Liabilities				
Trade payable	-	-	-	-
Other payables	-	-	-	-
Total	-	-	-	-
Fair value	-	-	-	-

31 December 2013

Company:

(iii) Assets	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Held-for-trading financial assets	-	-	-	-
Available-for-sale fiancial assets	-	-	-	-
Total	-	-	-	-
Liabilities				
Trade payable	-	-	-	-
Other payables	-	-	-	-
Total	-	-	-	-
Fair value	-	-	-	-

31 December 2012

(iv) Assets	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Held for trading financial assets	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	-	-	-	-
Liabilities				
Trade payable	-	-	-	-
Other payables	-	-	-	-
Total	-	-	-	-
Fair value	-	-	-	-

8 Cash and cash equivalents

Cash and cash equivalents represents balances with less than 3 months maturity from the date of acquisition.

	Group		Company	
	31 December 2,013	31 December 2,012	31 December 2,013	31 December 2,012
	N'000	N'000	N'000	N'000
Cash at bank and in hand	1,185,683	601,067	1,180,690	570,616
Treasury bills	27,181	16,633	-	-
Short-term deposits	1,332,268	83,079	1,256,558	93,680
Cash and cash equivalents at the end of the year	2,545,132	700,779	2,437,248	664,296

9 Financial assets:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Details of balances of loans and receivables at the year end are as presented below:

	N'000	N'000	N'000	N'000
Loans issued to corporate individuals (Note 9(a))	8,030,786	6,385,454	11,927,481	11,132,895
Loans and advances to customers (Note 9(b))	356,420	253,890	-	-
Staff loans and advances	83,481	70,574	79,866	60,124
	8,470,687	6,709,918	12,007,347	11,193,019
Current	439,901	324,464	79,866	60,124
Non-current	8,114,267	6,385,454	12,007,347	11,132,895
	8,554,168	6,639,344	12,087,213	11,132,895

(a) **Analysis of loans to corporate individuals**

	N'000	N'000	N'000	N'000
Mutual Homes and Properties Limited (Note 9(a)(v))	-	-	4,057,397	4,908,143
Mutual Model Transport Limited (Note 9(a)(vi))	591,408	701,408	755,466	701,408
Prime Exploration Production Limited (Note 9(a)(vii))	7,119,378	5,684,046	7,119,378	5,684,046
Deposit for share in AMDOF Asset Limited	320,000	-	320,000	-
	8,030,786	6,385,454	12,252,241	11,293,597
Impairment on loans to corporate individuals	-	-	(324,760)	(160,702)
Loans issued to corporate individuals (Note 9)	8,030,786	6,385,454	11,927,481	11,132,895

(i) Analysis of movement during the year:

	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	6,385,454	2,360,965	11,293,597	7,108,406
Additions	480,000	3,403,886	690,000	3,403,886
Interest on loans to corporate individuals (Note 39(a))	1,275,332	920,603	1,895,523	1,235,615
Repayments	(110,000)	(300,000)	(1,626,879)	(300,000)
Balance at the end of the year (Note 9(a))	8,030,786	6,385,454	12,252,241	11,293,597

(ii) The age analysis of loans to corporate individuals as at the end of the year is as follows:

	N'000	N'000	N'000	N'000
0 - 365 days	1,755,332	4,324,489	2,585,523	4,324,489
365 - 730 days	4,324,489	1,359,557	-	4,136,091
Above 730 days	1,950,965	701,408	9,666,718	2,833,017
Total	8,030,786	6,385,454	12,252,241	11,293,597

(iii) The following is the analysis of loans and receivables by performance:

	N'000	N'000	N'000	N'000
Performing	8,030,786	6,385,454	12,252,241	11,293,597
Non-Performing	-	-	-	-
	8,030,786	6,385,454	12,252,241	11,293,597

(iv) The following is the analysis of loans and receivables by maturity:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
1 - 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
Above 12 months	8,030,786	6,385,454	12,252,241	11,293,597
	8,030,786	6,385,454	12,252,241	11,293,597

(v) Mutual Benefits Life Assurance Limited entered into an agreement with Mutual Benefits Homes and Properties Limited to grant a credit facility of N5,000,000,000 for a period of 10 years from the date of disbursement of the facility. It was agreed that Mutual Benefits Homes and Properties Limited will be granted a moratorium for a period of 5 years regarding repayment. Disbursement of money commenced on 30 Sepetember 2009 and an amount of N4 billion has been advanced by Mutual Benefits Life Assurance Limited as at 31 December 2013. The Loan is secured by a lien on the title documents to Mutual Alpha Courts and first charge on the receivables of Mutual Benefits Homes and Properties Limited from the projects for which facility is used.

Analysis of movement in Mutual Benefits Homes and Properties Limited during the year:	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	4,908,143	4,748,143
Additional disbursements	-	-	210,000	-
Interest on facility granted	-	-	456,133	160,000
Loans and receivables exchanged for investment properties at fair value.(Note 18(a))	-	-	(1,516,879)	
Balance at the end of the year (Note 9(a))	-	-	4,057,397	4,908,143

(vi) By an agreement dated 3 January 2010, the Company agreed to lease to Mutual Model Transport Limited Mass Transit buses for the purposes of transportation for a period of 60 months from the date of the agreement.

(vii) Mutual Benefits Assurance Plc and Mutual Benefits Life Assurance Limited together 'Mutual Group' entered into an agreement on 13 Feburary 2008 to grant a loan facility of N10 billion to Prime Exploration and Production Limited for the development and production of hydrocarbons in Asaramatoru Marginal Oil Field. Disbursement of money commenced on 4 March 2011 and an amount of N5.8 billion has been advanced by Mutual Benefits Life Assurance Limited as at 31 December 2013. The loan was granted for a period of 60 months from the date of disbursement of the facility at 22 percent interest rate and a moratorium period of 30 months regarding repayment from the date of disbursement of the facility. The loan is secured by the following:

- First charge over oil asset of Asaramataru marginal field
- First charge on all receivables under oil contract throughout the tenor of the facility
- Guarantee by all the directors of Prime Exploration and Production Limited.

The Company received a payment of N945,000,000 from the amount due from Prime Exploration subsequent to the year ended 31 December 2013.

(b) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that the Group does not intend to sell immediately or in the near term. Details of balances of loans and advances at the year end are as presented below:

The following are the categories of loans and advances:	N'000	N'000	N'000	N'000
Loans:				
- Customers	346,723	209,999	-	-
- Staff	2,753	1,981	-	-
	349,476	211,980	-	-
Overdraft	44,895	53,938	-	-
	394,371	265,918	-	-
Impairment (Note 9(b)(iii))	(37,951)	(12,028)	-	-
Balance at the end of the year (Note 9)	356,420	253,890	-	-

(i) The analysis of loans and advances by performance is as follows:

	N'000	N'000	N'000	N'000
Performing	290,050	254,362	-	-
Non-Performing:				
- Pass and watch	45,154	1,320	-	-
- Substandard	25,952	462	-	-
- Doubtful	14,012	899	-	-
- Lost	19,203	8,875	-	-
	394,371	265,918	-	-
Impairment (Note 9(b)(iii))	(37,951)	(12,028)	-	-
	356,420	253,890	-	-

(ii) The maturity profile of loans and advances is as follows:

	N'000	N'000	N'000	N'000
Maturity within one month	46,035	46,499	-	-
Maturity between 1 and 3 months	53,631	63,818	-	-
Maturity between 3 and 6 months	125,533	68,222	-	-
Maturity between 6 and 12 months	131,221	87,379	-	-
	356,420	265,918	-	-

(iii) The movement in impairment on loans and advances is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	12,028	8,916	-	-
Charge for the year (Note 42)	33,963	3,508	-	-
Write back of provision no longer required	(8,040)	(396)	-	-
Balance at the end of the year	37,951	12,028	-	-

10 **Trade receivables**

Trade receivables comprise the following:

Premium receivables (Note 10(b))	325,737	374,413	325,737	374,413
Less impairments (Note 10(c))	(317,357)	(326,596)	(317,357)	(326,596)
	8,380	47,817	8,380	47,817
Current	325,737	374,413	325,737	374,413
Non-current	-	-	-	-
	325,737	374,413	325,737	374,413

(a) Counter party categorization of insurance receivables:

	N'000	N'000	N'000	N'000
Brokers and agents	325,737	374,413	325,737	374,413
Total life insurance receivables	325,737	374,413	325,737	374,413
- Less impairment for receivables from agents, brokers and intermediaries	(317,357)	(326,596)	(317,357)	(326,596)
Total insurance receivables	8,380	47,817	8,380	47,817

(b) The age analysis of gross insurance receivables as at the end of the year is as follows:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
0 - 90 days	8,380	47,817	8,380	47,817
91 - 180 days	-	-	-	-
Above 180 days	317,357	326,596	317,357	326,596
Total	325,737	374,413	325,737	374,413

(c) The movement in impairment of insurance receivables is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	326,596	535,260	326,596	535,260
Charge for the year (Note 43(b))	-	290,465	-	290,465
Amount written off against bad debts	-	(35,573)	-	(35,573)
Write back of provision no longer required (Note 43(a))	(9,239)	(463,556)	(9,239)	(463,556)
Balance at the end of the year	317,357	326,596	317,357	326,596

(d) **Basis for impairment**

The Group assesses its trade receivables for impairment. The Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant and are impaired accordingly. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment. The impairment assessment carried out by the Group produced the following balances by which the carrying amount of the Group's trade receivables has been reduced to its recoverable amount.

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Impairment on trade receivables	317,357	326,596	317,357	326,596

11 **Reinsurance assets**

This represents potential amount recoverable from reinsurers in respect of outstanding claims and additional reserves as valued by the Actuary and amount recoverable from reinsurers in respect of claims paid.

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	324,994	497,405	324,994	497,405
Actuarial increase in reinsurance assets (Note 36(b))	23,479	(364,100)	23,479	(364,100)
Balance at the end of the year as per actuarial valuation report	348,473	133,305	348,473	133,305
Reinsurance share of claims paid	(191,689)	191,689	(191,689)	191,689
	156,784	324,994	156,784	324,994

12 **Deferred acquisition costs**

This represents commission on unearned premium relating to the unexpired tenure of risk.

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	38,126	322	38,126	322
Increase during the year (Note 37(a))	28,225	37,804	28,225	37,804
	66,351	38,126	66,351	38,126

13 **Other receivables and prepayments**

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Prepayments				
- Rent	110,115	95,418	92,746	50,320
- Insurance	352	498	-	-
- Other prepaid expenses	1,439	4,502	-	-
Advance payment to consultants	71,342	44,295	-	-
Interest receivable	9,701	-	9,701	-
Policy loans	6,870	6,098	6,870	6,099
Amount due from related companies (Note 13(a))	2,074,313	1,017,942	2,074,313	1,017,942
Amount receivable from property buyers	-	89,261	38,000	-
Stock of cheques	4,219	1,116	-	-
SMS Alert account	1,685	2,230	-	-
Property development	33,464	22,682	-	-
Excess interest charges		3,042	-	-
Investment receivables (Note 13(b))	85,422	91,086	85,422	91,086
ATM receivables	30,073	-	-	-
Other receivables	287,267	1,063	-	-
Uniform stock	420	-	-	-
Private placement	4,029	-	-	-
Deposit for properties (Note 13a(iii)	-	-	400,000	750,000
Deposit for building materials	25,000	27,000	-	-
ATM cards	2,148	3,369	-	-
Directors current account	-	13,400	-	-
Telephone	213	238	-	-
Stationery	915	1,480	-	-
	2,748,987	1,424,720	2,707,052	1,915,447
Impairment of other receivables (Note 13(c))	(104,406)	(113,768)	(85,422)	(91,086)
	2,644,581	1,310,952	2,621,630	1,824,361
Current	2,644,581	1,381,526	2,621,630	1,884,484
Non-current	-	-	-	-
	2,644,581	1,381,526	2,621,630	1,884,484

(a) Amount due from related companies is made up of the following:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Mutual Benefits Assurance Plc (Note 13(a)(i))	2,074,313	1,017,942	2,074,313	1,017,942

(i) The amount relates to balances accrued in the ordinary course of business. The group operates cross border sales and subsidiaries leverage on one another for business promotion and synergies in adding value, subsequent to the aforementioned, parent and subsidiaries do receive premium, pay commission and settle expenses on behalf of each other. The Group uses "incurred loss model" in determining impairment of its other receivables. Under the incurred loss model, a loss is considered to have been incurred on other receivables when there is no longer reasonable assurance that the future cash flows associated with the other receivables will either be collected in their entirety or when due,thereby, the balance has been reviewed and impairment not deemed necessary.

(ii) Mutual Benefits Assurance Plc is the ultimate parent entity of Mutual Benefits Life Assurance Limited 'the parent company'. The ultimate parententity owns 100% of the equity of Mutual Benefits Life Assurance Limited.

Mutual Model Transport Limited is a 100% subsidiary of Mutual Benefits Assurance Plc 'the ultimate parent company'.

(iii) The deposit was made for purchase of 15 units of flats at Alpha Court, Costain, Lagos. The cost of the flats was agreed at N750 million. During the year additional one unit of flat was acquired totaling 16 units of flats and 8 units of flats were sold. The title documents have not been transferred. However, the balance has been reviewed and impairment not deemed necessary, Net realisable value of each flat as at the financial year was N60 million. As soon the tittle documents has been perfected, we shall reclassified to investment properties.

(b) The investment receivables is as follows:	N'000	N'000	N'000	N'000
Placement with Charks Investments Limited	70,425	70,425	70,425	70,425
Placement with Deap Capital Management and Trust Plc	14,997	14,997	14,997	14,997
Other bank balances	-	5,664	-	5,664
	85,422	91,086	85,422	91,086

(c) The movement in impairment of other receivables is as follows:	N'000	N'000	N'000	N'000
Balance at the beginning of the year	113,768	122,027	91,086	-
Additions during the year		-		91,086
Amount written off against bad debts (Note 13(e))	(9,362)	(8,259)	(5,664)	-
Balance at the end of the year (Note 13)	104,406	113,768	85,422	91,086

(d) **Basis for impairment**

The Group uses "incurred loss model" in determining impairment of its other receivables and prepayments. If the Group determines that no objective evidence that a balance or a group of balances would be recouped, the balance or the group of balances is deemed to be impaired. Other receivables and prepayments with a significant degree of uncertainty of recovery were assessed to be impaired and adequate impairment provision was made for the balances. The following is a list of balances which the Group could not ascertain that they are recoupable.

	N'000	N'000	N'000	N'000
Property development	18,984	22,682	-	-
Investment receivables	85,422	91,086	85,422	91,086
Impairment (Note 13(c))	104,406	113,768	85,422	91,086

(e) The following balances were written-off against prior impairment provision:	N'000	N'000	N'000	N'000
Fraud account	-	3,683	-	-
Excess interest charges	-	4,576	-	-
Othe bank balances	5,664	-	5,664	-
	3,698	-	-	-
Amount written-off against impairment provision (Note 13(c))	9,362	8,259	5,664	-

14 Finance lease receivables

Finance lease receivables represent outstanding balances on leases granted to various corporate organisations and individuals as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,151,037	1,533,021	1,150,915	1,533,021
Additions during the year	-	193,253	-	193,131
Repayments during the year	(235,783)	(575,237)	(235,783)	(575,237)
Transfer from Mutual Benefits Assurance Plc	-	-	-	-
	915,254	1,151,037	915,132	1,150,915
Impairment (Note 14(a))	(447,588)	(598,113)	(447,588)	(598,113)
Balance at the end of the year	467,666	552,924	467,544	552,802
Current	233,833	268,922	233,772	276,401
Non-current	(233,833)	(268,922)	(233,772)	(276,401)
	-	-	-	-

(a) The movement in impairment is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	598,113	565,282	598,113	565,278
Charge for the year (Note 43)	-	58,939	-	58,939
Write back of provision no longer required (Note 18(a) and 43(a))	(150,525)	(26,108)	(150,525)	(26,104)
Balance at the end of the year	447,588	598,113	447,588	598,113

(b(i) **Basis for impairment**

The Group assesses its finance lease receivables for impairment. If the Group determines that no objective evidence that a balance or a group of balances would be recovered from the lessee, the balance or the group of balances is deemed to be impaired. Finance lease receivables with prolonged period of default after due date(s) were assessed to be impaired and adequate impairment provision was made for the balances. The following is a list of balances that were assessed to be impaired:

	N'000	N'000	N'000	N'000
Blessed Chinedu	11,000	11,000	11,000	11,000
Continental Haulage	28,809	28,809	28,809	28,809
Maprotek finance lease	8,950	8,950	8,950	8,950
Charks investments	333,986	484,511	333,986	484,511
Abundant Seed	5,882	5,882	5,882	5,882
Memos International	22	22	22	22
Imo state transport	28,467	28,467	28,467	28,467
Security swap	1,990	1,990	1,990	1,990
Bronxtale investment	7,568	7,568	7,568	7,568
Kano NUT	15,599	15,599	15,599	15,599
Century energy	5,315	5,315	5,315	5,315
	447,588	598,113	447,588	598,113

15 Inventories

	N'000	N'000	N'000	N'000
Building raw materials	155,828	96,183	-	-
Construction work in progress	458,430	544,382	-	-
Building for resale work in progress (Note 15(a))	1,555,266	997,143	-	-
Landed properties for resale (Note 15(c))	1,445,000	2,961,879	-	-
	3,614,524	4,599,587	-	-

(a) The balance of building for resale work in progress is made up of the following:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2,012
	N'000	N'000	N'000	N'000
Landed properties at Olaleye Village	251,000	251,000	-	-
Cost of building construction	1,242,929	684,806	-	-
Interest capitalised (Note 15(b))	61,337	61,337	-	-
	1,555,266	997,143	-	-

(b) Interest capitalised represents borrowing cost on loans obtained to finance the construction work carried out by the Group at various estate locations in line with IAS 23, Borrowing Costs.

(c) The balance of landed properties for resale is made up of the following:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2,012 N'000
Mutual Tulip Estate (117,000 square metres)	-	747,408	-	-
Ikeja GRA - Sasegbon (6,500 square metres)	-	592,500	-	-
Alausa Plot (1,548 square metres)	-	176,971	-	-
Akure Plots (5,500 sq metres)	142,500	142,500	-	-
Plots at Paradise Estate, Anthony village, Lagos (16,000 square metres)	295,000	295,000	-	-
Ado Ekiti Land (100 hectares)	662,500	662,500	-	-
Oregun Lagos land (7.161 acres)	345,000	345,000	-	-
	1,445,000	2,961,879	-	-

16 **Investment in subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Details of the subsidiaries whose financial statements are included in the consolidated financial statements are as presented in Note 16(b) below.

	N'000	N'000	N'000	N'000
Mutual Benefits Micro Finance Bank Limited (Note 16(b)(i))	-	-	175,038	161,331
Mutual Benefits Homes and Properties Limited (Note 16(b)(ii))	-	-	-	20,000
	-	-	175,038	181,331

(a) The movement in investment in subsidiaries during the year is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	181,331	220,000
Provision for impairment no longer required(Note 16(c) and 43(a))	-	-	13,707	-
Impairment provision on investment in subsidiary (Notes 16(c), and 43(b))	-	-	(20,000)	(38,669)
Balance at the end of the year	-	-	175,038	181,331

(b) *Principal subsidiary undertakings:*

The Group is controlled by Mutual Benefits Life Assurance Limited "the parent" (incorporated in Nigeria). The controlling interest of Mutual Benefits Life Assurance Limited in the Group entities is disclosed in the table below:

Company name	*business /Country of incorporation*	31 December 2013 *Ownership interest*	31 December 2012 *Ownership interest*	*Status*
Mutual Benefits Microfinance Bank Limited	*Banking / Nigeria*	*80%*	*80%*	*Acquired*
Mutual Benefits Homes and Properties Limited	*Real estate / Nigeria*	*100%*	*100%*	*Set up*

(i) Mutual Benefits Microfinance Bank Limited was incorporated in Nigeria in January 2008 and its principal activity involves the provision of retail banking services to both individual and corporate customers. Mutual Benefits Life Assurance Limited obtained control of the company with acquisition of 80% of the voting rights in January 2009.

(ii) Mutual Benefits Homes and Properties Limited was incorporated in December 2007 to provide property development services to corporate and individual customers. The Company was established as a wholly owned subsidiary of Mutual Benefits Life Assurance Limited.

(c) **Basis for impairment**

The Parent Company assesses its investment in subsidiaries for impairment. If the Company determines that its share of the net assets of a subsidiary is less than the carrying amount of investment in that subsidiary, it recognises impaiment loss which is the amount by which the Company's share of net assets of the subsidiary is less than the carrying value of investment in the subsidiary.

Fair value gain is not recognised when the Parent Company's share of the net asset of subsidiary is greater than the carrying amount of investment in the subsidiary.

The impairment provision on investment in subsidiaries was calculated as follows:

	Mutual Benefits Microfinance Bank Limited N'000	Mutual Benefits Homes and Properties Limited N'000	Total N'000
Carrying amounts of investment in subsidiaries	200,000	20,000	220,000
Less: The Parent Company's share of net assets of subsidiaries			
Share capital	250,000	20,000	270,000
Retained earnings	(31,203)	(262,127)	(293,330)
Net assets of acquiree at the date of acquisition	218,797	(242,127)	(23,330)
Percentage holding	80%	100%	
Net assets acquired (balance per SFP)	175,038	-	175,038
Impairment during the year	24,962	20,000	44,962
Impairment brought forward	(38,669)	-	(38,669)
Fair value (gain)/Impairment (Note 16(a))	(13,707)	20,000	6,293

17 **Investment in associate**

An associate is an entity, including an unincorporated entity, over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. The significant influence is generally accompanied by a shareholding between 20% and 50% of the voting rights. Mutual Benefits Life Assurance Limited acquired 40% of the voting rights of Assurances Generales Du Cameroun S. A., a Company incorporated in Cameroun for provision of insurance cover to policy holders, in May 2009. The investment was, however, disposed of in 2012. Loss/profit on disposal of the investment is as disclosed in Note 17(a)

(a) The movement in investment in associate during the year is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	212,050	-	202,713
Disposal during the year	-	(212,050)	-	(202,713)
Balance at the end of the year (Note 17(b))	-	-	-	-

(b) Investment in associate is represented by the following:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Share capital	-	192,688	-	192,688
Statutory reserves	-	292	-	292
Share of retained earnings acquired	-	(85,942)	-	(85,942)
Share of net assets acquired	-	107,038	-	107,038
Goodwill on acquisition (Note 17(c))	-	95,675		95,675
Cost of investment in associate	-	202,713	-	202,713
Share of profits/(losses) since acquisition	-	11,744	-	-
Exchange differences on translating foreign associate	-	(2,407)	-	-
	-	212,050	-	202,713
Disposal of investment in associate	-	(212,050)		(202,713)
Balance at the end of the year (Note 17(a))	-	-	-	-

Investment in associate is accounted for using the equity method. The consideration for each acquisition is measured as the aggregate of the fair value of assets given, liabilities incurred or assumed and where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Consideration was not made by way of share exchange but in cash exchange as at the date of the acquisition.

(c) Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversible.

18 **Investment Properties**

Investment Properties is property held to earn rental income or for capital appreciation or both. Investment property, including interest in leasehold is initially recognised at cost. Subsequently, investment property is carried at fair value representing the open market value at the statement of financial position date determined by annual valuations carried out by external registered valuers. Gains or losses arising from changes in the fair value are included in determing the statement of comprehensive income for the year to which they relate.

The investment properties comprises of properties in the following locations:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Mutual Tulip Estate (See note(i) below)	798,140	-	798,140	-
Property at Ikeja GRA- Sasegbon (See note(ii) below)	623,917	-	623,917	-
Property at Ikeja Alausa (See note(iii) below)	273,816	-	273,816	-
Property at Sango/Idiroko - Mogga (See note (iv) below)	90,315	-	90,315	-
Property at Sango/Idiroko - Caxtonjo (See note (v) below)	60,210	-	60,210	-
	1,846,398	-	1,846,398	-

The movement in the fair value during the year was as follow:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Balance at the beginning of the year	-	-	-	-
Additions during the year	1,667,403	-	1,667,403	-
Fair value gain	178,995	-	178,995	-
Balance at the end of the year	1,846,398	-	1,846,398	-

(a) Loans and receivables exchanged for investment property.

During the year, the company received investment properties amounting to N1,667,403,000 in lieu of receivables from its related companies as shown below:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
	-	-	-	-
Mutual Homes and Properties Limited	1,516,878	-	1,516,878	-
Charks Investment Limited	150,525	-	150,525	-
	1,667,403		1,667,403	

The investment properties of N1,516,878,000 were valued during the year at opening market price by an independent professionally qualified valuer who has recent experience in the location and categories of the investment being valued. For the purpose of this report, the vauers engaged were:

Messrs Jide Alabi & Co, Estate Surveyors and Valuers (FRC/2012/NIESV/00000000314)

However, the finance lease receivable had been fully allowed for impairment in 2012, therefore the amount of N150,525,000 repaid by an exchange of Investment property was written back as impairment no longer required during the year. See Note 14(a)

i **Mutual Tulip Estate**

Landed property of 117,000 square metres of land located in Berger within Ogun section of the boundary between Ogun State and Lagos State in Nigeria was purchased at a cost of N747million. The unexpired term remaining on the property is 99 years and issues relating to consent and ownnership have not been pefected. The landed property was revalued to N798 million by Messrs Jide Alabi & Co Estate Surveyors and Valuers as at 31 December 2013

ii **Property at Ikeja GRA- Sasegbon**

Landed property of 6,500 square metres of land located at 7b & 9 Sasegbon Street, GRA Ikeja Lagos state in Nigeria was purchased at a cost of N593million. The unexpired term remaining on the property is 99 years and issues relating to consent and ownnership have not been pefected. The landed property was revalued to N624 million by Messrs Jide Alabi & Co Estate Surveyors and Valuers as at 31 December 2013

iii **Property at Ikeja Alausa**

Landed property of 1,548 square metres of land located at Alausa central business district. Lagos state in Nigeria was purchased at a cost of N177million. The unexpired term remaining on the property is 99 years and issues relating to consent and ownnership have not been pefected. The landed property was revalued to N274 million by Messrs Jide Alabi & Co Estate Surveyors and Valuers as at 31 December 2013 iv **Property at Sango/Idiroko - Mogga**

Landed property of 4040 square metres of land located at Sango/Idiroko road, opposite Mogga Petroleum, Onibukun village, Ota Atan, Ogun state in Nigeria was purchased at a cost of N90million. The unexpired term remaining on the property is 99 years and issues relating to consent and ownnership have not been pefected. The landed property was valued to N90 million by Messrs Jide Alabi & Co Estate Surveyors and Valuers as at 30 September 2013

v **Property at Sango/Idiroko - Caxtonjo**

Landed property of 3665.6 square metres of land located at Sango/Idiroko road, opposite Caxtonjo Oil Onibukun village, Ota Atan, Ogun state in Nigeria was purchased at a cost of N60million. The unexpired term remaining on the property is 99 years and issues relating to consent and ownnership have not been pefected. The landed property was valued to N60 million by Messrs Jide Alabi & Co Estate Surveyors and Valuers as at 30 September 2013

19 **Intangible assets**

Intangible assets represent computer softwares acquired by the Group for use in it daily operations. The table below shows the details of balances at the year end.

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Cost:				
Balance at the beginning of the year	37,497	33,735	25,718	24,000
Additions during the year	-	3,762	-	1,718
Balance at the end of the year	37,497	37,497	25,718	25,718
Amortization:				
Balance at the beginning of the year	15,850	7,497	9,800	4,808
Amortisation charge for the year	7,161	8,353	5,144	4,992
Balance at the end of the year	23,011	15,850	14,944	9,800
Carrying amounts	14,486	21,647	10,774	15,918

20 **Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entities at the dates of acquisition (provided that the acquisitions fulfil the definition of business combination in accordance with IFRS 3).

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
(a) The movement in the balance of goodwill is as follows:				
Goodwill on consolidation of subsidiaries (Note 20(b))	42,942	42,942	-	-
Provision for impairment (Note 20(c))	(38,669)	(38,669)	-	-
Balance at the end of the year	4,273	4,273	-	-

(b) Goodwill on consolidation is arrived at as follows:	Mutual Benefits Microfinance Bank Limited N'000	Mutual Benefits Homes and Properties Limited N'000	Total N'000
Cost of acquisition	200,000	20,000	220,000
Less: Net assets acquired			
Share capital	229,453	20,000	249,453
Retained earnings	(33,131)	-	(33,131)
Net assets of acquiree at the date of acquisition	196,322	20,000	216,322
Percentage holding	80%	100%	
Net assets acquired	157,058	20,000	177,058
Goodwill on acquisition of subsidiaries (Note 20(a))	42,942	-	42,942

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair value of assets given, liabilities incurred or assumed and where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Acquisition of subsidiaries were not made in stages but done once at the date of acquisition of the shareholding stated in the financial statements. Considerations were not made by way of share exchange but in cash exchange as at the dates of the acquisitions.

(c) Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversible. Impairment loss determined is as shown in Notes 19(a) and 42 respectively.

21(a) Property, plant and equipment (Group)

As at 31 December 2013	Leasehold building N'000	Capital work in progress N'000	Plant and machinery N'000	Motor vehicles N'000	Computer equipment N'000	Office equipment N'000	Furniture & Fittings N'000	Total N'000
Cost								
At 1 January 2012	70,695	-	94,187	323,967	10,964	5,688	87,818	593,319
Additions	3,669	23,461	159,093	43,600	4,321	849	31,277	266,270
Disposals	-	-	-	(4,650)	-	-	-	(4,650)
At 31 December 2012	74,364	23,461	253,280	362,917	15,285	6,537	119,095	854,939
At 1 January 2013	74,364	23,461	253,280	362,917	10,311	6,537	119,095	854,939
Additions	370	45,000	8,375	53,315	4,594	1,632	30,409	143,695
Adjustment (Note 21(ci))		(23,461)	-	-	-	-	-	(23,461)
Disposals	-	-	-	(14,140)	-	-	-	(14,140)
At 31 December 2013	74,734	45,000	261,655	402,092	14,905	8,169	149,504	961,033
Accumulated depreciation								
At 1 January 2012	44,628	-	17,126	71,520	6,397	2,205	49,113	190,989
Charge for the year	12,335	-	46,033	86,891	3,034	1,630	21,068	170,991
Disposals	-	-	-	(3,875)	-	-	-	(3,875)
At 31 December 2012	56,963	-	63,159	154,536	9,431	3,835	70,181	358,105
At 1 January 2013	56,963	-	63,159	154,536	7,390	3,835	70,181	358,105
Charge for the year	13,742	-	64,605	92,637	5,707	1,467	23,641	201,799
Adjustments (Note (21cii))	(2,249)	-	-	-	-	-	-	(2,249)
Disposals		-	-	(13,215)	-	-	-	(13,215)
At 31 December 2013	68,456	-	127,764	233,958	13,097	5,302	93,822	544,440
Carrying amounts								
31 December 2013	6,278	45,000	133,891	168,134	1,808	2,867	55,682	416,593
31 December 2012	17,401	23,461	190,121	208,381	2,921	2,702	48,914	496,834

Capital work in progress represents amount spent on installation of ATM machines at the Group's banking facilities in various locations

(i) No leased assets are included in the above property and equipment account (2012: Nil)

(ii) The Group had no capital commitments as at the balance sheet date (2012: Nil). As at the reporting date land is being carried at cost.

(b) **Property, plant and equipment (Company)**

As at 31 December 2013	Leasehold building	Capital work in progress	Plant and machinery	Motor vehicles	Computer equipment	Office equipment	Furniture & Fittings	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost								
At 1 January 2012	67,007	-	4,954	44,406	-	-	80,021	196,388
Additions	3,669	-	2,863	31,705	-	-	27,275	65,512
At 31 December 2012	70,676	-	7,817	76,111	-	-	107,296	261,900
At 1 January 2013	70,676	-	7,817	76,111	-	-	107,296	261,900
Additions	370	45,000	5,765	44,698	-	-	29,023	124,856
Disposals	-	-	-	(7,445)	-	-	-	(7,445)
At 31 December 2013	71,046	45,000	13,582	113,364	-	-	136,319	379,311
Accumulated depreciation								
At 1 January 2012	42,964	-	1,981	21,233	-	-	46,086	112,264
Charge for the year	11,597	-	1,240	15,806	-	-	18,830	47,473
At 31 December 2012	54,561	-	3,221	37,039	-	-	64,916	159,737
At 1 January 2013	54,561	-	3,221	37,039	-	-	64,916	159,737
Charge for the year	13,004	-	2,199	23,876	-	-	21,439	60,518
Disposals	-	-	-	(6,520)	-	-	-	(6,520)
Adjustment (Note (21(cii))	(2,249)	-	-	-	-	-	-	(2,249)
At 31 December 2013	65,316	-	5,420	54,395	-	-	86,355	211,486
Carrying amounts								
31 December 2013	5,730	45,000	8,162	58,969	-	-	49,964	167,825
31 December 2012	16,115	-	4,596	39,072	-	-	42,380	102,163

(c) Adjustment

i) The account is made up of various expenses on ATM project within the year 2012 which was formerly capitalised but transferred to other assets and amortised for a period of five years.

ii) Adjustment represents depreciation charge on property, plant and equipment cost of N89 million written off to profit or loss in 2012.

22 **Statutory deposit**

Statutory deposit represents fixed deposit with the Central Bank of Nigeria in accordance with Section 10(3) of the Insurance Act, CAP I17, LFN 2004. There was neither a withdrawal nor demand for the release of any part of the deposit from the Central Bank of Nigeria in 2013.

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
Deposit with the Central Bank of Nigeria	200,000	200,000	200,000	200,000
	200,000	200,000	200,000	200,000

23 **Insurance contract liabilities**

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(a) Insurance contract liabilities comprise the following classes:

	N'000	N'000	N'000	N'000
Group life	1,600,687	2,096,786	1,600,687	2,096,787
Individual life	103,489	67,055	103,489	67,055
	1,704,176	2,163,841	1,704,176	2,163,842
Current	1,704,176	2,163,841	1,704,176	2,163,841
Non-current	-	-	-	-
	1,704,176	2,163,841	1,704,176	2,163,841

(b) Group life insurance contract liabilities are made up of the following:

	N'000	N'000	N'000	N'000
Outstanding claims	584,543	1,416,079	584,543	1,416,080
Incurred but not reported	222,605	318,021	222,605	318,021
Total outstanding claims	807,148	1,734,100	807,148	1,734,101
Unearned premium	793,539	362,686	793,539	362,686
	1,600,687	2,096,786	1,600,687	2,096,787

(c) Individual life insurance contract liabilities are made up of the following:

	N'000	N'000	N'000	N'000
Individual life	103,489	67,055	103,489	67,055

(d) The following is the classification of insurance contract liabilities by nature:

	N'000	N'000	N'000	N'000
Outstanding claims	807,148	1,734,100	807,148	1,734,101
Unearned premium	793,539	362,686	793,539	362,685
	1,600,687	2,096,786	1,600,687	2,096,786

(e) The movement in outstanding claims is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,734,101	957,319	1,734,101	957,320
Payment made during the year	(1,354,711)	-	(1,354,711)	-
Increase in outstanding claims (Note 23(e) and 36(a))	427,758	776,781	427,758	776,781
Balance at the end of the year	807,148	1,734,100	807,148	1,734,101

(e(i)) **Increase in outstanding claims**

This represents net effect of reversal of excess provision for outstanding claims in 2012 in respect of the company's Group life policy as analysed below:

	N'000	N'000	N'000	N'000
Excess provision on outstanding claims	-	(1,333,855)	-	(1,333,855)
Increase in outstanding cliams	427,758	2,110,636	427,758	2,110,636
	427,758	776,781	427,758	776,781

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
(f) The movement in unearned premium is as follows:				
Balance at the beginning of the year	429,741	404,724	429,741	404,724
Increase in unearned premium (Note 35)	363,798	25,017	363,798	25,017
Balance at the end of the year	793,539	429,741	793,539	429,741

(g) The age analysis of claims reported and losses adjusted :

	N'000	N'000	N'000	N'000
Days				
0 - 90	304,349	588,444	304,349	588,444
91 -180	61,090	500,866	61,090	500,866
181-270	53,348	53,414	53,348	53,414
271-360	58,811	273,355	58,811	273,355
361 and above	106,945	-	106,945	-
	584,543	1,416,079	584,543	1,416,079

(h) The liabilities given in Form 16 are presented net of reinsurance. The table below summarises the gross position and impact of reinsurance.

	N'000	N'000	N'000	N'000
Unearned premium	793,539	429,742	793,539	429,742
Outstanding claims	584,543	1,416,079	584,543	1,416,079
IBNR*	222,605	318,021	222,605	318,021
Balance at the end of the year	1,600,687	2,163,842	1,600,687	2,163,842

(i) Actuarial valuation
The Group as a matter of policy carries out actuarial valuation on all policy holders' funds to determine the adequacy of provision on a yearly basis. In compliance with the International Financial Reporting Standards, the 2013 actuarial valuations of the Group's insurance contract liabilities were carried out by Alexander Forbes Consulting Actuaries Nigeria Limited.

(j) The valuation has been made on the basis of the following principles which were determined by the Actuary:

(i) Individual business
Traditional insurance plans comprise the Term Assurance, Anticipated Endowment Insurance and Mortgage Protection Plan. For all individual business the gross premium valuation method was adopted. The liability for each policy was calculated as the present value of benefits less the present value of expected premiums.

(ii) Reserves were calculated via a cash flow projection approach, taking into account future premiums, expenses and benefit payments including an allowance for the rider benefits where applicable. Future cash flows were discounted back to the valuation date at the valuation rate of interest. Reserves for endowment business have been limited to a minimum of the surrender value at the valuation date.

(iii) For each individual business policy, the valuation age has been taken to be the nearest age as at the valuation date. In the case of endowment policies, the outstanding premium paying term was taken to be the maturity date less the valuation date.

(iv) The valuation method adopted is such that no policy is treated as an asset. If a negative reserve has arisen for any policy, it has been eliminated by setting it to be equal to zero.

(v) Individual deposit linked business
For each of the investment and savings policies, the liability was calculated by accumulating all premiums paid since inception to valuation date at the guaranteed rate of interest. The death benefits were reserved for by calculating present value of benefits less the present value of expected premiums and all negative reserves were eliminated at policy level.

(vi) The reserve under each deposit-type policy has been obtained as the accumulated balance of the deposits after allowing for interest as at the valuation date.

(vii) Group business
For each yearly renewable group term insurance policy, reserve was made for Unearned Premium (UPR), Outstanding Claims and Incurred But Not Reported (IBNR) as follows:

(viii) Unearned Premium Reserve (UPR)
The number of months between valuation date and the next scheme renewal date was used to allocate unearned premium reserve. The 12th method was used for this valuation.

(ix) Outstanding Claims Reserve
The reported claims whose payment has not been finalised were reserved for based on the claimed sum assured. It was assumed that all claims will be accepted.

(x) Incurred But Not Reported (IBNR)
IBNR reserves are determined as a specified number of months' risk premium based on the Company's recent experience of the time lag between claims being incurred and notified. Included in IBNR balance in Note 15(b) is the estimate for additional reserves as revealed by the actuarial valuation report.

(xi) The Mortality Table used in the valuation is the Mortality of Assured Lives A1949-52, Ultimate Tables published on behalf of the Institute of Actuaries and the Faculty of Actuaries. The table was rated down by 3 years to reflect expectations of the mortality experience of Nigerian assured lives.

An interest rate of 5% was assumed in the valuation of insurance risk products.

(xii) Expenses for individual life and individual deposit business were reserved for explicitly at N10,000 and N5,000 respectively. All expenses were assumed to increase with inflation at 8% pa. Annuity expenses were reserved for at 3% of the annuity payment.

(xiii) The basis to be adopted for distribution of profits among policyholders and shareholders is determined by the Directors on the Actuary's advice, bearing in mind the requirements of the Insurance Act, CAP I17, LFN 2004 regarding the distribution of profits to with-profit policyholders. However, there were no with-profit policyholders in the books of the Group at the valuation date.

(xiv) The actuarial report is prepared solely for the purpose of the Insurance Act, CAP I17, LFN 2004 and has no validity in any other circumstance. The liability calculation methodology and assumptions comply with IFRS 4 and meets the liability adequacy test required under the standard.

24 Investment contract liabilities
Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

(i) That are likely to be a significant portion of the total contractual benefits;
(ii) Whose amount or timing is contractually at the discretion of the Group; and
(iii) That are contractually based on:
- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
- the profit or loss of the Group, fund or other entity that issues the contract.

(a) Details of balances of investment contract liabilities at the year end are as presented below:

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Groups (Note 24(b))	252,901	575,532	252,901	575,532
Individuals (Note 24(c))	14,674,798	9,521,707	14,674,798	9,521,707
	14,927,699	10,097,239	14,927,699	10,097,239
Current	252,901	575,532	252,901	575,532
Non-current	14,674,798	9,521,707	14,674,798	9,521,707
	14,927,699	10,097,239	14,927,699	10,097,239

(b) The movement in the balance of group investment contract liabilities during the year is as shown below:

	Group	Group Restated	Company	Company Restated
	31 December 2013	31 December 20	31 December 2013	31 December 2012
	₦'000	N'000	N'000	N'000
Balance at the beginning of the year	575,532	1,808,489	575,532	1,808,489
Deposits received during the year	124,519	1,216,337	124,519	1,216,337
Withdrawals during the year	(66,206)	(1,834,696)	(66,206)	(1,834,696)
Guaranteed interest	6,268	145,973	6,268	145,973
Reclassification of fund liabilities (Note 24(c))	(425,380)	(572,270)	(425,380)	(572,270)
Transfer of excess fund liabilities (Note24(b)(i))	12,685	-	12,685	-
Loss/(gain) on group investment contract liabilities (Note 38)	25,483	(188,301)	25,483	(188,301)
Balance at the end of the year	252,901	575,532	252,901	575,532

i) **Transfer of excess fund liabilities**
This represents excess of fund in individual investment contract liabilities.

(c) The movement in individual investment contract liabilities during the year is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	9,521,707	5,511,299	9,521,707	5,511,299
Deposits received during the year	9,778,719	4,195,735	9,778,719	4,195,735
Guaranteed Interest	346,292		346,292	
Withdrawals and surrenders during the year	(5,397,300)	(757,597)	(5,397,300)	(757,597)
Reclassification of fund liabilities (Note 24(b))	425,380	572,270	425,380	572,270
	14,674,798	9,521,707	14,674,798	9,521,707

25 **Trade payables**
Trade payables represent liabilities to agents, brokers, co-insurers and re-insurers on insurance contracts as at year end.

	N'000	N'000	N'000	N'000
Co-assurance payables	58,798	10,870	58,798	10,870
Reinsurance payables	14,481	23,497	14,481	23,497
	73,279	34,367	73,279	34,367
Current	73,279	34,367	73,279	34,367
Non-current	-	-	-	-
	73,279	34,367	73,279	34,367

26 **Other payables and accruals**

	N'000	N'000	N'000	N'000
Accruals	229,487	186,416	132,425	52,180
Information technology development levy	-	390	-	-
Withholding tax payable	3,856	2,848	-	-
Other liabilities	79,873	-	79,873	-
Staff pension	769	5,252	68	68
Industrial Training Fund	904	1,255	-	-
Value Added Tax	3,549	32	3,494	-
Branches suspense	-	1	-	-
Deposit premium	286,734	120,563	286,734	120,563
Deposit for properties from customers	1,136,185	437,784	-	-
Sundry other payables	226,577	1,178	208,867	1,178
PAYE	1,566	1,462	789	594
Cooperative	7,589	5,064	7,589	1,163
Amount due to other related parties (Note 26(a))	4,000	7,870	-	60,000
ATM working capital	12,849	6,259	-	-
Private Placement	15,870	-	-	-
Motor vehicle lease	8,405	6,914	-	-
Interest expenses	-	301	-	-
Deposit for agency/legal fees by customers	69,450	87,850	-	-
Other current liabilities	337	542	-	-
Contract collection suspense	-	3,000	-	-
	2,088,000	874,981	719,839	235,746
Current	2,088,000	874,981	719,839	235,746
Non-current	-	-	-	-
	2,088,000	874,981	719,839	235,746

(a) Amount due to other related companies	Group 31 December 2013 N'000	Group 31 December 2012 N'000	Company 31 December 2013 N'000	Company 31 December 2012 N'000
Mutual Benefits Homes and Properties Limited	-	-		60,000
Amount due to other related parties	4,000	4,000	-	-
Mutual Benefits Asset Management Limited	-	3,870	-	-
	4,000	7,870	-	60,000

27 Borrowings

	N'000	N'000	N'000	N'000
Long term borrowing (Note 27(a))	362,824	317,610	-	-
Short term borrowing	240,368	-	-	-
	603,192	317,610	-	-
Current	240,368	-	-	-
Non-current	362,824	317,610	-	-
	603,192	317,610	-	-

(a) Long term borrowing represents N362,824,000 (2012: N317,609,981) facility granted to Mutual Benefits Homes and Properties Limited by Mutual Benefits Assurance Plc.

The movement in borrowings during the year is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	317,610	253,129	-	-
Payment during the year	-	(18,000)	-	-
Additional borrowings during the year	45,214	82,481	-	-
	362,824	317,610	-	-

28 Deposits from customers

Deposits from customers represent balance of current, term and savings deposits accepted from customers for safe keeping. Details of balances of deposit from customers at the year end are as presented below:

	N'000	N'000	N'000	N'000
Current deposits (Note 28(a) and (c))	155,326	105,458	-	-
Savings (Note 28(b) and (c))	34,795	70,467	-	-
Term deposits (Note 28(d))	87,248	21,763	-	-
	277,369	197,688	-	-
Current	277,369	197,688	-	-
Non-current	-	-	-	-
	277,369	197,688	-	-

(a) Current deposits represents demand deposits from customers which are repayable on demand by customers. The Group charges current deposits customers for the safe keeping of their funds. Current deposit balances from consolidated entities have been eliminated in these consolidated financial statements.

(b) Savings deposits represents deposits from customers which are repayable on demand by customers. The Group does not charge savings deposit customers for safe keeping but pays interest on savings deposits balance at a comparatively low rate. Savings deposit balances from consolidated entities have been eliminated in these consolidated financial statements.

(c) Current and savings deposits, which are included in customer deposits, are repayable on demand on a contractual basis. In practice, however, these deposits form a stable base for the Bank's operations and liquidity needs.

(d) Term deposits are kept for customers for a fixed period of time. The Group pays interest on the deposits at a rate agreed at the inception of the contract. Term deposit balances from consolidated entities have been eliminated in these consolidated financial statements.

29 **Current income tax liabilities**

The movement in this account during the year was as follows:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	156,468	97,123	127,431	93,879
Charge for the year (Note 29(a))	37,761	61,917	30,348	36,124
Payments during the year	(3,030)	(2,572)	-	(2,572)
Balance at the end of the year	191,199	156,468	157,779	127,431

(a) The income tax expense for the year comprises:

	N'000	N'000	N'000	N'000
Company income tax (Note 29(a)(i))	19,907	55,250	14,379	33,979
Education tax (Note 29(a)(ii))	16,294	6,667	14,702	2,145
Information technology development levy tax (Note 29(a)(iii)	1,560	-	1,267	-
Tax charge credited to current income tax liabilities (Note 29)	37,761	61,917	30,348	36,124
Deferred tax charge/(credit) (Note 29(a)(iv))	55,606	2,710	18,925	(16,074)
Income tax expense	93,367	64,627	49,273	20,050

(i) Company income tax is made up as follows:

	N'000	N'000	N'000	N'000
Mutual Benefits Life Assurance Limited	14,379	33,979	14,379	33,979
Mutual Benefits Microfinance Bank Limited	5,528	4,049	-	-
Mutual Benefits Homes and Properties Limited	-	17,222	-	-
	19,907	55,250	14,379	33,979

(ii) Education tax is made up as follows:

	N'000	N'000	N'000	N'000
Mutual Benefits Life Assurance Limited	14,702	2,145	14,702	2,145
Mutual Benefits Microfinance Bank Limited	1,592	1,077	-	-
Mutual Benefits Homes and Properties Limited	-	3,445	-	-
	16,294	6,667	14,702	2,145

(iii) Information technology development levy tax is made up as follows:

	N'000	N'000	N'000	N'000
Mutual Benefits Life Assurance Limited	1,267	-	1,267	-
Mutual Benefits Microfinance Bank Limited	293	-	-	-
Mutual Benefits Homes and Properties Limited	-	-	-	-
	1,560	-	1,267	-

(iv) Deferred tax charge/(credit) is made up as follows:

	N'000	N'000	N'000	N'000
Mutual Benefits Life Assurance Limited	18,925	(16,074)	18,925	(16,074)
Mutual Benefits Microfinance Bank Limited	-	-	-	-
Mutual Benefits Homes and Properties Limited	36,681	18,784	-	-
	55,606	2,710	18,925	(16,074)

(v) The tax on the Company's profit before tax differ from theoretical amount that would arise using the weighted average tax rate applicable to profit of the Company as follows:

Taxes

	Company	
	31 December 2013	31 December 2012
Current tax expense	₦'000	₦'000
Current tax on profit for the year:		
Income Tax	14,379	33,979
Education tax	14,702	2,145
Information technology development levy tax	1,267	-
Total current tax	30,348	36,124
Deferred tax (asset)/ liability		
Origination and reversal of temporary differences	18,925	(16,074)
Total tax expense	49,273	20,050

The reasons for the difference between the actual tax charge for the year and the standard rate of corporate tax in Nigeria applied to profits for the year are as follows:

Profit before income tax	126,693	146,078
Expected tax charge based on the standard rate on Nigeria corporate tax at the domestic rate of 30% (2012: 30%)	38,008	43,823
Actual Income tax charge	(14,379)	(33,979)
Difference (see below)	23,629	9,844
Adjustment for tax deductible and non-deductible items		
Net premium income	2,094,885	2,577,978
Fees and commission	51,185	34,546
Claims expenses	(1,038,357)	(1,327,750)
Underwriting expenses	(438,027)	(397,274)
Loss on investment contract liabilities	39,883	221,742
Investment income	308,682	1,221,746
Other operating income	192,343	-
Impairment no longer required	181,384	489,660
Impairment charge	(20,000)	(1,030,569)
Management expenses	(1,245,285)	(636,815)
Taxable Income	(47,930)	(113,263)
	78,763	1,040,001
Difference @ 30%	23,629	312,000

(b) **Deferred income tax liabilities**

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	81,986	63,202	12,339	12,339
Write back of provision for the year	-	-	-	-
Charge for the year (Note 29(a))	55,606	18,784	18,925	-
Balance at the end of the year	137,592	81,986	31,264	12,339

(c) **Deferred income tax assets**

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	16,074	-	16,074	-
Write back of provision for the year	-	16,074	-	16,074
Charge for the year	-	-	-	-
Balance at the end of the year	16,074	16,074	16,074	16,074

(d) Defered income taxes for the Company are attributable to the following:

	Opening balance at 31 December	Recognise in net income	Reclassify from equity to net income	Closing Balance at 31 December 2013
	N'000	N'000	N'000	N'000
2013				
Excess of TWDV over NBV	(3,735)	18,925	-	15,190
Other timing difference items	-	-	-	-
2013 deferred tax liability movement	(3,735)	18,925	-	15,190

30 **Share capital:**
Share capital comprises:

	Group 31 December 2013 N'000	Group 31 December 2012 N'000	Company 31 December 2013 N'000	Company 31 December 2012 N'000
(a) Authorized:				
Issued and fully paid:				
300,000,000 Ordinary shares of 50k each	150,000	150,000	150,000	150,000

31 **Share premium**
Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution.

	N'000	N'000	N'000	N'000
Balance at the beginning and end of the year	1,850,000	1,850,000	1,850,000	1,850,000

32 **Contingency reserves**
In compliance with Section 21 (1)(b) of Insurance Act, CAP I17, LFN 2004, the contingency reserve shall be credited with an amount equal to 1% of gross premiums written or 10% of the profits (whichever is greater) and accumulated until it reached the amount of the minimum paid up capital. The movement in this account during the year is as follows:

	N'000	Restated N'000	N'000	Restated N'000
Balance at the beginning of the year	194,504	167,495	194,504	167,495
Transfer from retained earnings	25,341	27,009	25,341	27,009
Balance at the end of the year	219,845	194,504	219,845	194,504

33 **Retained earnings**
The retained earnings represents the amount available for dividend distribution to the equity shareholders of the Company. The movement in retained earnings is as presented below:

	N'000	Restated N'000	N'000	Restated N'000
Balance at the beginning of the year	(1,124,765)	(1,237,950)	295,433	196,414
(Loss)/profit for the year	(633,749)	140,194	77,420	126,028
Transfer to contingency reserve (Note 32)	(25,341)	(27,009)	(25,341)	(27,009)
Balance at the end of the year	(1,783,855)	(1,124,765)	347,512	295,433

34 **Non-controlling interest in equity**
The entity accounting for non-controlling interest is shown below:

	N'000	N'000	N'000	N'000
Mutual Benefits Microfinance Bank Limited (Note 34(a))	33,433	30,006	-	-

(a) The movement in non-controlling interest is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	30,006	23,699	-	-
Profit/(loss) for the year	3,427	6,307	-	-
Balance at the end of the year (Note 34)	33,433	30,006	-	-

(b) Non-controlling interest is made up of:

	N'000	N'000	N'000	N'000
Share capital	45,891	45,891	-	-
Retained earnings at the beginning of the year	(15,885)	(22,192)	-	-
Profit for the year	3,427	6,307	-	-
Balance at the end of the year	33,433	30,006	-	-

Non controlling interest represents 20% (229,453,458 ordinary shares) of the equity holding of the Company's subsidairy Mutual Benefits Microfinance Bank Limited.

35 Net premium income

	Group 31 December 2013 ₦'000	Group 31 December 2012 ₦'000	Company 31 December 2013 ₦'000	Company 31 December 2012 N'000
Gross premium written (Note 35(a))	2,534,143	2,700,936	2,534,143	2,700,936
Increase in unearned premium (Note 23(f))	(363,798)	(25,017)	(363,798)	(25,017)
Gross premium income	2,170,345	2,675,919	2,170,345	2,675,919
Reinsurance costs (Note 35(b))	(75,460)	(97,941)	(75,460)	(97,941)
Reinsurance expenses	(75,460)	(97,941)	(75,460)	(97,941)
Net premium income	2,094,885	2,577,978	2,094,885	2,577,978

(a) Gross premium written is made up of the following:

	N'000	N'000	N'000	N'000
Group life premium	1,731,778	1,671,215	1,731,778	1,671,215
Individual life premium	802,365	1,029,721	802,365	1,029,721
Gross premium written (Note 35)	2,534,143	2,700,936	2,534,143	2,700,936

(b) Reinsurance costs is made up of the following:

	N'000	N'000	N'000	N'000
Group life	75,460	90,892	75,460	90,892
Individual life policies:	-	7,049	-	7,049
Reinsurance costs (Note 35)	75,460	97,941	75,460	97,941

(c) **Fees and commission**

	N'000	N'000	N'000	N'000
Reinsurance commission received	51,185	23,661	51,185	23,661
Co-insurance commission received	-	10,885	-	10,885
	51,185	34,546	51,185	34,546

36 Claims expenses

	N'000	N'000	N'000	N'000
Gross claims expenses (Note 36(a))	1,971,723	1,155,339	1,971,723	1,155,339
Claims expenses recoverable from reinsurers (Note 36(b))	(933,366)	172,411	(933,366)	172,411
	1,038,357	1,327,750	1,038,357	1,327,750

(a) Gross claims expense

	N'000	N'000	N'000	N'000
Claims paid during the year	1,543,965	378,558	1,543,965	378,558
Increase in outstanding claims during the year (Note 23(e))	427,758	776,781	427,758	776,781
Gross claims expenses (Note 36)	1,971,723	1,155,339	1,971,723	1,155,339

(b) **Claims expenses recoverable from reinsurers**

	N'000	N'000	N'000	N'000
Recoveries from reinsurers	909,887	191,689	909,887	191,689
Actuarial increase in reinsurance assets (Note 11)	23,479	(364,100)	23,479	(364,100)
Claims expenses recoverable from reinsurers (Note 36)	933,366	(172,411)	933,366	(172,411)

37 Underwriting Expenses:

Underwriting expenses can be sub-divided into acquisition and other underwriting expenses. Acquisition expenses are those incurred in obtaining and renewing insurance contracts. They include commissions or brokerage paid to agents or brokers and indirect expenses such as salaries of underwriting staff. Other underwriting expenses are those incurred in servicing existing policies/contracts. These include processing cost, preparation of statistics and reports, and other incidental costs attributable to maintenance.

	N'000	N'000	N'000	N'000
Acquisition Cost (Note 37(a))	83,510	148,550	83,510	148,550
Other underwriting expenses	354,517	248,724	354,517	248,724
	438,027	397,274	438,027	397,274

	Group 31 December 2013 ₦'000	Group 31 December 2012 ₦'000	Company 31 December 2013 N'000	Company 31 December 2012 ₦'000
(a) Acquisition cost				
Commission paid (Note 37(b))	111,735	186,354	111,735	186,354
(Increase)/decrease in deferred acquisition cost (Note 12)	(28,225)	(37,804)	(28,225)	(37,804)
Acquisition cost (Note 37)	83,510	148,550	83,510	148,550

	N'000	N'000	N'000	N'000
(b) Commission paid				
Commission paid on insurance policies	111,735	186,354	111,735	186,354
	111,735	186,354	111,735	186,354

		Restated		Restated
38 (Loss)/profit on investment contract liabilities	N'000	N'000	N'000	N'000
Investment income attributable to investment contracts (Note 38(a) and 39))	1,189,711	769,881	1,715,316	1,007,186
(Loss)/gain on group investment contract liabilities (Note 24(b))	(25,483)	188,301	(25,483)	188,301
Guranteed interest on investment contract liabilities	(352,560)	(145,973)	(352,560)	(145,973)
Acquisition cost on investment policies	(1,297,390)	(827,772)	(1,297,390)	(827,772)
	(485,722)	(15,563)	39,883	221,742

(a) Investment income attributable to investment contracts represents redistribution of investment in line with fund balances as the financial year end.

	N'000	N'000	N'000	N'000
39 Investment Income				
Interest and other income from unquoted companies (Note 39(a))	1,275,332	914,189	1,895,523	1,238,404
Interest income on short term deposits	37,877	97,416	37,877	97,416
Lease finance income	598	40,236	598	40,236
Profit on investment property disposal	90,000	-	90,000	-
Reclassification of investment income attributable to investment contracts (Note 38(a))	(1,189,711)	(769,881)	(1,715,316)	(1,007,186)
Total investment income	214,096	281,960	308,682	368,870

(a) Interest and other income from unquoted companies is made up of:

	N'000	N'000	N'000	N'000
Prime Exploration	1,275,332	920,603	1,275,332	920,603
Mutual Model Transport Limited (see note 39(b))	-	-	164,058	154,310
Mutual Homes and Properties	-	-	456,133	160,702
Interest on loans to corporate individuals (Note 9(a)(i))	1,275,332	920,603	1,895,523	1,235,615
(Loss)/profit on disposal of investment in associate	-	(6,414)	-	2,789
	1,275,332	914,189	1,895,523	1,238,404

(b) This represent interest income on facility amounting to N591,408,000 granted to Mutual Model Transport Limited at zero interest.

	N'000	N'000	N'000	N'000
40 Other income				
Microfinance fees and commission	28,562	25,458	-	-
Other charges - SMS, closed accounts, default charges	26,334	15,095	-	-
Income from logistics activities	126,502	305,145	-	-
Gain on property valuation	178,995	-	178,995	
Sundry other income	22,054	300	13,348	-
Total	382,447	345,998	192,343	-

	N'000	N'000	N'000	N'000
41 Net interest income from microfinance				
Interest and similar income (Note 41(a))	182,130	146,270	-	-
Interest and similar expenses (Note 41(b))	(11,168)	(8,709)	-	-
	170,962	137,561	-	-

	N'000	N'000	N'000	N'000
(a) Interest and similar income				
Interest income on Micro loans	25,682	31,743	-	-
Interest income on SME loans	123,035	96,940	-	-
Interest income on overdraft	30,103	14,745	-	-
Interest income on treasury bills	2,911	2,842	-	-
Income from funds placement	399	-	-	-
	182,130	146,270	-	-

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
(b) Interest and similar expenses	N'000	N'000	N'000	N'000
Current accounts	-	913	-	-
Deposits	8,118	4,697		-
Other charges	3,050	3,099	-	-
	11,168	8,709	-	-

42 Net (Loss)/income from real estate operations	N'000	N'000	N'000	N'000
Revenue from real estate operations	93,445	120,354	-	-
Cost of real estate operations	(165,367)	(102,502)	-	-
	(71,922)	17,852	-	-

43 Impairment charge/imparment no longer required	N'000	N'000	N'000	N'000
(a) Impairment no longer required				
Provision for impairment no longer required - trade receivables (Note 10(c))	9,239	463,556	9,239	463,556
Provision for impairment no longer required - short term placement (Note 13(e))	5,664	-	5,664	-
Adjustment of property,plant and equipment - No longer required (Note 21(b))	2,249	-	2,249	-
Provision for impairment no longer required - finance lease (Note 14(a))	150,525	26,108	150,525	26,104
Provision for impairment no longer required - Investment in subsidaries (Note 16(a))	-	-	13,707	-
	167,677	489,664	181,384	489,660

(b) Impairment charge	N'000	N'000	N'000	N'000
Impairment on premium receivable (Note 10(c))	-	290,465	-	290,465
Premiums receivables written off	-	28,097	-	28,097
Impairment on loans and advances (Note 9(b(iii))	33,963	3,508	-	-
Impairment on loans and receivables (Note 9(b))	-	-	-	160,702
Loans and receivables written off	-	100,000	-	100,000
Impairment of goodwill (Notes 20(a) and (c))	-	38,669	-	-
Impairment of investment in subsidiaries (Note 16(c))	-	-	20,000	38,669
Impairment of finance lease receivables (Note 14(a))	-	58,939	-	58,939
Impairment on cash and cash equivalents	-	12,587	-	12,587
Impairment on other receivables (Note 11)	-	-	-	-
Other receivables written off	-	341,110	-	341,110
	33,963	873,375	20,000	1,030,569

44 Management expenses	N'000	N'000	N'000	N'000
Expenses for marketing and administration (Note 44(a))	215,029	123,562	109,759	105,251
Employee benefit expense (Note 44(b))	392,590	358,730	258,500	233,387
Other operating expenses (Note 44(c))	942,597	578,177	877,026	452,487
	1,550,216	1,060,469	1,245,285	791,125

(a) Expenses for marketing and administration	N'000	N'000	N'000	N'000
Conference and seminar expenses	2,298	4,478	2,298	4,478
Newspapers and periodicals	705	357	627	159
Advertisement and public relations	42,763	17,811	39,903	11,703
General expenses	118,629	52,995	19,341	47,942
Penalties and fines	1,354	2,085	1,354	2,085
Insurance expenses	5,838	7,035	2,794	473
NAICOM supervisory levy	43,442	38,411	43,442	38,411
Information technology development levy	-	390	-	-
	215,029	123,562	109,759	105,251

(b) Employee benefit expenses	N'000	N'000	N'000	N'000
Wages and salaries	372,937	345,809	242,804	225,134
Pension costs - defined contribution plans	19,653	12,921	15,696	8,253
	392,590	358,730	258,500	233,387

(c) **Other operating expenses**

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000
Depreciation and amortisation charges	94,548	135,263	65,662	52,466
Other professional fees	32,414	21,789	30,864	15,948
Directors expenses	156,647	60,717	138,330	47,400
Auditor's remuneration	10,500	7,000	7,500	4,000
Other expenses (Note 44(c(i)))	648,488	353,408	634,670	332,673
	942,597	578,177	877,026	452,487

(c(i)) Other expenses are made up of the following:

	N'000	N'000	N'000	N'000
Bank charges	33,597	15,143	31,423	9,937
Vehicle repairs and maintenance	16,865	40,942	15,903	11,528
Computer repairs and maintenance	7,541	17,722	7,541	762
Electrical expenses	5,924	4,264	3,947	2,975
Generator repairs and maintenance	31,491	52,274	25,158	14,009
Transport and travelling	23,888	35,489	22,208	25,556
Building repairs and maintenance	136,688	5,114	5,635	5,114
Office repairs and maintenance	20,118	17,393	5,810	7,589
Rent and rates	47,756	42,172	41,994	28,119
Printing and stationery	32,482	32,278	31,329	22,300
Security expenses	3,576	4,619	3,568	2,915
Staff training and development	16,016	26,279	14,770	2,941
Staff welfare and medical expenses	80,462	42,340	77,513	32,920
Telecommunication expenses	17,725	17,379	14,817	11,698
Business development cost	140,911	-	140,911	-
Interest income written off (see note 39(b))		-	164,058	154,310
Bad debt written off	9,433	-	9,433	-
Entertaiment	24,015	-	18,652	-
	648,488	353,408	634,670	332,673

45 **Earning per share**

Basic earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	N'000	N'000	N'000	N'000
(Loss)/profit attributable to the equity holders	(630,322)	146,501	77,420	126,028
Weighted average number of ordinary shares in issue (thousands)	150,000	150,000	150,000	150,000
Basic (loss)/earnings per share (kobo)	(420)	98	52	84

46 **Supplementary profit or loss information:**

(i) Employee costs excluding executive directors during the year amounted to:

	N'000	N'000	N'000	N'000
Wages and salaries	372,937	345,809	242,804	225,134
Other pension costs	19,653	12,921	15,696	8,253
	392,590	358,730	258,500	233,387

(ii) Employees, other than the executive directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contribution and other allowances) in the following ranges:

	N'000	N'000	N'000	N'000
N720,001 - N1,400,000	178	37	31	16
N1,400,001 - N2,050,000	41	39	35	30
N2,050,001 - N2,330,000	1	5	1	1
N2,330,001 - N2,840,000	3	-	-	-
N2,840,001 - N3,000,000	7	6	6	6
N3,000,001 - N4,500,000	8	11	8	8
N4,500,001 - N5,950,000	9	9	5	5
N5,950,001 - N6,800,000	6	2	2	2
N6,800,001 - N7,800,000	4	4	4	4
N7,800,001 - N8,600,000	1	-	-	-
N8,600,001 - N11,800,000	5	2	5	2
Above N11,800,000	1	1	1	1
	264	116	98	75

(iii) The average number of full time persons employed by the Company during the year was as followed:

	N'000	N'000	N'000	N'000
Management staff	43	30	23	20
Non management staff	261	267	115	118
	304	297	138	138

(c) **Directors' remuneration:**

(i) Remuneration paid to the directors of the Company was as follows:

	N'000	N'000	N'000	N'000
Executive compensation:	5,060	4,650	3,900	1,900
Directors fees	151,587	1,030	134,430	900
Other directors expenses	156,647	5,680	138,330	2,800

(ii) The directors' remuneration shown above (excluding pension contributions and other allowances) includes

	N'000	N'000	N'000	N'000
Chairman	30,000	1,000	30,000	1,000
Highest paid director	24,600	2,150	24,600	2,150

(iii) The emoluments of all other directors that fell within the following range:

	Number	Numbe	Numbe	Numbe
N300,001 - N350000	3	3	3	3
N500,001 - N1,000,000	-	-	-	-
N1,000,000 - N5,000,000	-	-	-	-
N10,000,000 - N15,000,000	1	1	1	1
N15,000,000 - N25,000,000	4	4	4	4

47 Actuarial valuation of life fund

The latest available actuarial valuation of the life business was performed as at 31 December 2013. The valuation of the Group's life insurance and investment contract liabilities as at 31 December 2013 was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited. The valuation was done based on the following principles:

(a) For Mortgage Protection and Term Assurance policies, the gross premium method of valuation was adopted. The liability for each policy was calculated as the present value of benefits less present value of expected premiums.

(b) For investment and savings policies, the liability was calculated by accumulating all the premiums paid since inception to valuation date at the guaranteed rate of interest. The death benefits were reserved for by calculating the present value of benefits less the present value of expected premiums and all negative reserves were eliminated at policy level.

(c) The reserve under each deposit-type policy has been obtained as the accumulated balance of the deposits after allowing for interest as at the valuation date.

(d) For individual businesses, the valuation age has been taken to be the nearest age as at the valuation date. Outstanding premium paying term was taken to be the maturity date less the valuation date under endowment policies. The valuation method adopted is such that no policy is treated as an asset as negative reserve arising for any policy is eliminated by setting it to be equal to zero.

(e) For each yearly renewable group term insurance policy, reserve was made for unearned premiums (UPR), Outstanding Claims and Incurred but Not Reported claims.

(f) The Mortality of Assured Lives A1949-52, Ultimate Tables published on behalf of the Institute of Actuaries and Faculty of Actuaries was used in the valuation. The table was rated down by 3 years to reflect expectations of the mortality experience of Nigerian assured lives.

48 **Reconciliation of loss after tax to net cash provided by operating activities**

	₦'000	₦'000	₦'000	₦'000
(Loss)/profit after tax	(630,322)	146,501	77,420	126,028
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation of property, plant and equipment	201,799	170,991	60,518	47,473
Amortisation of intangible assets	7,161	8,353	5,144	4,992
Profit on disposal of property, plant and equipment	(1,227)	-	(290)	-
Profit on disposal of investment in associate	-	6,414	-	(2,789)
Provision no longer required on Investment in subsidary	-	-	(13,707)	-
Provision no longer required on outstanding claims	-	(1,333,855)	-	(1,333,855)
Provision no longer required-Finance lease	(150,525)	(26,108)	(150,525)	(26,104)
Valuation gain on investment property	(178,995)	-	(178,995)	-
Impairment of investment in subsidiaries	-	38,669	20,000	38,669
Impairment of finance lease receivables	-	58,939	-	58,939
Impairment of loan to corporate entities	-	-	-	160,702
Provision for current taxation	34,731	59,345	30,348	33,552
Provision for deferred taxation	55,606	2,710	18,925	(16,074)
Adustment on property, plant and equipment	21,212	-	(2,249)	-
Interest income written off	-	-	164,058	154,310
Interest on loans to corporate entities	(1,275,332)	(920,603)	(1,895,523)	(1,235,615)
	(1,915,892)	(1,788,644)	(1,864,876)	(1,989,772)
Changes in assets and liabilities				
Increase in unearned premium	467,287	25,017	467,287	25,017
(Decrease)/increase in claims provision	(926,953)	2,110,637	(926,953)	2,110,637
Increase in other receivables and prepayments	(1,333,629)	(93,117)	(797,269)	(888,708)
Decrease/(increase) in reinsurance assets	168,210	172,410	168,210	172,411
Increase/(decrease) in trade receivables	39,437	(47,817)	39,437	(47,817)
Decrease/(increase) in inventories	985,063	(1,312,174)	-	-
Increase in loans and advances to customers	(102,530)	(108,739)	-	-
Increase in staff loan and advances	(12,907)	(50,849)	(19,742)	(41,470)
Increase in deferred acquisition cost	(28,225)	(37,804)	(28,225)	(37,804)
Increase in trade and other payables	1,251,931	508,058	523,005	118,229
Increase in investment contract liabilities	4,830,460	2,777,450	4,830,460	2,777,450
Increase in deposit from customers	79,681	108,671	-	-
Cash consumed by operating activities	3,501,933	2,263,099	2,391,334	2,198,173

49 **Related parties**

Parent

The Parent Company, Mutual Benefits Assurance Plc owns 99% of the Company's shares.
The remaining 1% of the shares is held by Mr Akin Ogunbiyi, the Group Managing Director.

Subsidiaries

Transactions between Mutual Benefits Life Assurance Limited and the subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

Also, transactions between Mutual Benefits Life Assurance Limited and its Parent Company (Mutual Benefits Assurance Plc) and other subsidiaries of the Parent Company meet the definition of related party transactions.

Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by these individuals in their dealings with Mutual Benefits Life Assurance

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

	Group		Company	
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
(a) Loans to related entities:				
Details of loans granted to related entities is as provided below				
Loans granted to related entities during the year:				
Loans issued to Mutual Homes and Properties Limited during the year (a(iv))	240,000	-	240,000	-
Loans issued to Mutual Model Transport Limited during the year	-	-	-	-
Charks Investments Limited	-	100,000		100,000
	240,000	100,000	240,000	100,000

(a(i)) Loan of N100 million issued Charks Investments Limited was written-off during the year based on a high degree of uncertainty surrounding its recoverability.

(a(ii)) Interest income earned on the cumulative balance of loans granted to related entities:

	N'000	N'000	N'000	N'000
Loan to Mutual Homes and Properties Limited	-	-	616,835	160,702

(a(iii)) Repayments on loans granted to related entities:

	N'000	N'000	N'000	N'000
Amounts received from Mutual Model Transport Limited	110,000	300,000	110,000	300,000

(a(iv)) Details of terms of the loan agreeements are as presented in Note 2(a) to the financial statements.

(b) Deposit for properties with related entities during the year	N'000	N'000	N'000	N'000
Deposit with Mutual Homes and Properties Limited	-	-	400,000	750,000

(b(i)) The deposit was made for purchase of 15 units of flats at Alpha Court, Costain, Lagos. The cost of the flats was agreed at N750 million. During the year additional one unit of flat was acquired totaling 16 units of flats and 8 units of flats were sold. The title documents have not been transferred.

(c) Borrowings from related entity
The Details of the Groups borrowing from related entity is as follows:

	N'000	N'000	N'000	N'000
Borrowings from Mutual Benefits Assurance Plc (Note 27(a))	362,824	317,610	-	-

(d) Balances due from and due to related entities in respect of intercompany transactions, such as acting as collection agents for premium, revenue and rendering of services, are as presented Notes 6(a) and 19(a) to the financial statements respectively.

(e) Sales of insurance contracts and other services

	N'000	N'000	N'000	N'000
Premium received from sale of insurance contracts to key management:				
Akin Ogunbiyi	13,350	3,900	13,350	3,900
Gbenga Ogunko	2,290	250	2,290	250
	15,640	4,150	15,640	4,150

(e(i)) Terms and conditions
Key management personnel and other staff members bought insurance and investment policies with the Group during the year. Premiums received relate to sale of the insurance and investment contracts and are at arms length.

50 Contravention of laws and regulations

The Company contravened certain laws and regulations during the year. Details of the contraventions and the appropriate penalties are as follows:

	Section	Description of contravention	Number of	Year of contravention	Amount of N
(a)	LAGOS STATE SIGNAGE	Penalty for non display of RC number on Signage	1	2013	228,900
(b)	INSURANCE ACT 2003 S26(3)	Penalty for late submission of treaty arrangement	1	2013	250,000
(c)	INSURANCE ACT 2003 S26(3)	Late submission of 2012 Statutory Returns	1	2012	410,000
(d)	NAICOM OPERATIONAL GUIDELINES 2011	Penalty for mistatement and restatement	1	2012	200,000
	Total Penalties				1,088,900

51 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

1 The company did not charge any of its assets to secure the liability of any third party.

2 There were no commitments to capital expenditure at the year-end both in respect of either contracted or authorized but not contracted.

3 The company had no known contingent liabilities as at the year -end.

52 Prior period restatement

a) **Correction of treatment of actuarial loss on individual investment contract wrongly expensed**
In 2012, Individual investment contract liabilities of N572,270,000 which should have been reclassified to Group Investment contract liabilities was wrongly treated as a loss on investment contract liabilities in statement of profit or loss and other comprehensive income. This restatement is to reverse the wrong charge of N572,270,000 against statement of profit or loss and other comprehensive income and reclassify same to Group investment contract liabilities.

b) **Correction of contingency reserves**
In 2012, contingency reserve was overstated to the tune of N250,434,791. As a result retained earnings was understated by N250,434,791.

c) **Correction of reinsurance assets**
In 2012, reinsurance asset was overstated to the tune of N1,605,255,000. As a result retained earnings was overstated by N1,605,255,000.

c) **Correction of insurance contract liabilities**
In 2012, insurance contract liabilities was overstated to the tune of N1,333,855,000. As a result retained earnings was understated by N1,333,855,000.

The financial statements have been restated to correct these errors. The restatements required adjustments in the statement of financial position as at 31 December 2012 and adjustment of certain items in the statement of profit or loss and other comprehensive income for the period to 31 December 2012.

To this effect, the Statement of profit or loss and other comprehensive Income, Statement of financial position, statement of changes in equity and affected notes showed restated comparative information for the period ended 31 December 2012.

The details of the restatements are as folllows:

2012 Restatements

	2012
Statement of profit or loss and other comprehensive income	**N'000**
(Loss)/profit on investment contract liabilities	
Previously reported	(529,942)
Correction of loss on group investment	572,270
Acquisition cost on investment policies	(827,772)
Profit on investment contract liabilities **(As restated)**	(785,444)
Retained Earnings **(As previously reported)**	(255,871)
Correction of contingency reserve	250,434
Correction of group investment contract liabilities	572,270
Correction of reinsurance assets	(1,605,255)
Correction of insurance contract liabilities	1,333,855
Retained Earnings **(As restated)**	295,433

Statement of financial position

Contingency reserves	**N'000**
As previously stated	444,938
Correction of contigency reserve	(250,434)
As restated	194,504
Group investment contract liabilities	**N'000**
As previously stated	1,147,802
Correction of group investment contract liabilities	(572,270)
As restated	575,532
Reinsurance assets	**N'000**
As previously stated	1,930,249
Correction of overstated reinsurance assets	(1,605,255)
As restated	324,994
Insurance contract liabilties	**N'000**
As previously stated	3,497,696
Correction of over provision for outstanding claims	(1,333,855)
As restated	2,163,841

53 HYPOTHECATION

The Group is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and reinsurance liabilities. In particular, the key financial risk is that the in the long- term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Asset & Liability management (ALM) attempts to address financial risks the group is exposed to which includes interest rate risks, foreign currency risks, equity price risks and credit risks. The major financial risk is that in the long run its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. ALM ensures that specific assets of the group is allocated to cover reinsurance and liabilities of the Group.

The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The notes below show how the Group has managed its financial risks.

	INSURANCE CONTRACT N'000	INVESTMENT CONTRACT N'000	SHAREHOLDERS' FUND N'000	TOTAL N'000
ASSETS				
CASH AND CASH EQUIVALENTS	583,009	1,854,239	-	2,437,248
FINANCIAL ASSETS			12,007,347	12,007,347
TRADE RECEIVABLES	8,380	-	-	8,380
REINSURANCE ASSETS	156,784	-	-	156,784
DEFERRED ACQUISITION COST	66,351	-	-	66,351
OTHER RECEIVABLES AND PREPAYMENT	-	-	2,621,630	2,621,630
FINANCE LEASE RECEIVABLES	180,647	-	286,897	467,544
INVESTMENT IN SUBSIDIARIES	-	-	175,038	175,038
INVESTMENT IN PROPERTIES	-	1,846,398	-	1,846,398
INTANGIBLE ASSETS	-	-	10,774	10,774
PROPERTY, PLANT AND EQUIPMENT	-	-	167,825	167,825
STATUTORY DEPOSIT	200,000.00	-	-	200,000
TOTAL ASSETS	1,195,171	3,700,637	15,269,511	20,165,319
LIABILITIES:				
INSURANCE CONTRACT LIABILITIES	1,704,176		-	1,704,176
INVESTMENT CONTRACT LIABILITIES	-	14,927,699	-	14,927,699
TRADE PAYABLES	-	-	73,279	73,279
OTHER PAYABLES AND ACCRUALS	-	-	719,839	719,839
DEFERRED INCOME TAX LIABILITIES	-	-	31,264	31,264
CURRENT INCOME TAX LIABILITIES	-	-	157,779	157,779
TOTAL LIABILITIES	1,704,176	14,927,699	982,161	17,614,036
GAP	(509,005)	(11,227,062)	14,287,350	2,551,283