

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
Lagos, Nigeria

REPORT OF THE DIRECTORS
AND
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS

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MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

Chairman	Mr. Soye Olatunji	Non-Executive Director
Directors	Mr. Rantimi Ogunleye	Managing Director (Appointed WEF 23 December 2019)
	Mr. Femi Asenuga	Non-Executive Director
	Mr. Hakeem Oguntola	Non-Executive Director
	Mr. Babatunde Dabiri	Non-Executive Director (Resigned WEF 1 September 2019)
	Mr. Olusegun Omoshin	Non-Executive Director (Resigned WEF 23 December 2019)
Registered Office	Aret Adams House 233 Ikorodu Road, Ilupeju Lagos	
Auditors	Ernst & Young UBA House, 10th and 13th Floors 57 Marina, Lagos	
Company Secretary	Babajide Ibitayo (Esq) FRC/2013/NBA/0000003123	
Bankers	Access Bank Plc Heritage Bank Limited Fidelity Bank Plc First City Monument Bank Plc First Bank of Nigeria Limited Sterling Bank Plc Zenith Bank Plc Mutual Microfinance Bank Limited Ecobank Nigeria Plc Unity Bank Plc Safetrust Mortgage Bank Limited United Bank for Africa	
Actuary	Zamara Consulting Actuaries Nigeria Limited FRC/2017/NAS/00000016912	
RC No.	681998	

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	GROUP			COMPANY		
STATEMENT OF PROFIT OR LOSS						
For the year ended 31 December						
<i>in thousands of Nigerian Naira</i>	2019	2018	%	2019	2018	%
Gross premium written	10,331,198	7,822,397	32	8,488,202	5,914,556	44
Gross premium income	9,583,495	7,957,140	20	7,797,948	6,193,018	26
Net premium income	8,709,520	7,249,238	20	7,044,759	5,655,305	25
Net underwriting income	8,844,078	7,352,330	20	7,176,329	5,751,841	25
Underwriting profit/(loss)	2,815,612	586,033	380	1,867,825	(217,089)	960
Profit before income tax	2,462,082	744,429	231	2,379,678	706,093	237
Profit for the year	2,525,935	669,072	278	2,497,294	625,176	299
Basic and diluted earnings per share (kobo)	1,010	259		987	250	

STATEMENT OF FINANCIAL POSITION
As at 31 December

	2019	2018	%	2019	2018	%
<i>in thousands of Nigerian Naira</i>						
Total assets	50,973,249	43,484,592	17	46,206,632	39,255,639	18
Insurance contract liabilities	9,072,297	7,917,919	15	8,121,751	6,707,244	21
Investment contract liabilities	26,266,129	25,276,261	4	26,263,838	25,261,335	4
Shareholders' funds	11,177,236	7,186,931	56	10,071,714	5,963,101	69

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Board has the pleasure of presenting their report on the affairs of the Mutual Benefits Life Assurance Limited ("the Company"), collectively "the Group" and its subsidiaries to the Shareholders together with the Group's and the Company's Audited Financial Statements and the auditor's report for the year ended 31 December 2019.

LEGAL STATUS AND PRINCIPAL ACTIVITY

The Company was incorporated on 20 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 Company's Registered Office address is at "Aret Adams House", 233, Ikorodu Road, Ilupeju, Lagos and has branches spread across the nation in Abeokuta, Abuja, Ado - Ekiti, Akure, Port Harcourt, Warri, Lagos, Benin, Calabar, Ikorodu, Ilorin, Ibadan, Kaduna, Kano, Ojo, Oshogbo, Otta, Owerri and Yenogoa.

BUSINESS REVIEW

The Company's principal activity continues to be the provision of life insurance business and risk management solutions to corporate and retail customers. The activities of the Company through its subsidiaries includes General Assurance, Microfinance Banking and Real Estate.

The Company's subsidiaries include Mutual Benefits Assurance Niger SA, Mutual Benefits Assurance Liberia, Mutual Benefits Microfinance Bank Limited and Mutual Benefits Homes & Properties Limited.

MUTUAL Group's products and services are as follows:

LIFE INSURANCE PRODUCTS

Individual Savings & Pension Plan
Personal Pension & Investment Plan
Mutual Education Guarantee Plan
Keyman Assurance
Mortgage Protection
Group Life Assurance
Term Assurance
Endowment Assurance
Micro Personal Investment Plan

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

OPERATING RESULTS

Below is a summary of the Group's operating results:

	Group	Group		Company	Company
<i>in thousands of Nigerian Naira</i>	2019	2018		2019	2018
Gross Premium Written	10,331,198	7,822,397		8,488,202	5,914,556
Profit before income tax	2,462,082	744,429		2,379,678	706,093
Income tax credit/(expense)	63,853	(75,357)		117,616	(80,917)
Profit for the year	2,525,935	669,072		2,497,294	625,176
Shareholders' funds	11,177,236	7,186,931		10,071,714	5,963,101

DIVIDENDS

The Board of Directors have not recommended any dividend for the year 2019 (2018: Nil).

DIRECTORS

The names of the Directors at the date of the report and of those who held offices during the year are as follows:

Mr. Soye Olatunji	Chairman
Mr. Rantimi Ogunleye	Managing Director (w.e.f 23 December 2019)
Mr. Femi Asenuga	Non-Executive Director
Mr. Hakeem Oguntola	Non-Executive Director
Mr. Babatunde Dabiri	Non-Executive Director (Resigned w.ef.1 September 2019)
Mr. Olusegun Omosehin	Non-Executive Director (Resigned w.e.f 23 December 2019)

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their direct and indirect interests in the issued share capital of the Company as recorded in the Register of Directors shareholding and/or as notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act, CAP. C20, Laws of the Federation of Nigeria 2004.

	DIRECT	INDIRECT		DIRECT	INDIRECT
	2019	2019		2018	2018
Mr. Babatunde Dabiri	NIL	NIL		NIL	NIL
Mr. Femi Asenuga	NIL	NIL		NIL	NIL
Mr. Olusegun Omosehin	NIL	NIL		NIL	NIL
Mr. Soye Olatunji	NIL	NIL		NIL	NIL
Mr. Hakeem Oguntola	NIL	NIL		NIL	NIL
M. Rantimi Ogunleye	NIL	NIL		NIL	NIL

None of the Directors has direct or indirect interests in the issued share capital of the Company.

ACQUISITION OF OWN SHARES

The Company did not purchase its own share in 2019 (2018: Nil).

SECURITY TRADING POLICY

The Group has a Board policy on Personal investment, which applies to directors, staff and related parties. This policy prevents Directors, members of Staff and related Companies/individuals from insider dealing on the shares of Mutual Benefits Assurance Plc (parent company) and related entities. The purpose of this policy is to prevent the abuse of confidential non-public information that may be gained in the course of being a director or working for the Company. The policy also ensures compliance by the Company with extant laws and regulatory requirement.

In the course of the financial year there was no case of violation of this policy.

APPOINTMENT AND RESIGNATION OF DIRECTORS

Mr. Babatunde Dabiri and Mr. Olusegun Omosehin both resigned their appointments from the Board of the Company with effect from 1 September 2019 and 23 December 2019 respectively. Mr. Rantimi Ogunleye was appointed as the Managing MD/ CEO with effect from 23 December 2019 following the resignation of Mr. Femi Asenuga who resigned from his executive role to become a non-executive Director.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTEREST IN CONTRACTS

In compliance with Section 277 of the Companies and Allied Matters Act of Nigeria CAP C20 Laws of the Federation of Nigeria, 2004, none of the directors has notified the Company of any interest in contracts involving the Company during the year under review.

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is given in Note 30 to the consolidated and separate Financial Statements. In the Directors' opinion, the market value of the Group's property, plant and equipment is not less than the value shown in the financial statements.

DIRECTORS REMUNERATION

Remuneration	Description	Timing
Basic Salary	Part of gross salary package for Executive Directors only	Paid monthly during the financial year
	The Company pays a competitive salary which is line with the insurance industry trend and reflects the extent to which the Company's objectives have been met.	
Other Allowances	These are part of the gross salary package of the Executive Directors only	Paid periodically during the year
*Director fees	Paid annually to Non-Executive Directors only	Paid during the year
*Travelling allowances	Paid to Non-Executive Directors who reside outside Lagos/Nigeria	Paid during the year
*Sitting allowances	Allowances paid to Non-Executive Directors only for sitting at Board and Committee meetings.	Paid after each meeting

*Applicable to Non-Executive Directors

DONATIONS AND CHARITABLE GIFTS

In identifying with the aspirations of the community and the environment within which the Company operates, a total sum of ₦275,000 (2018: ₦2,520,390) was given out as donations and charitable contributions during the year. There were no donations to any political parties in the year.

Details of the tax allowable donations and charitable gifts are as stated below:

Organisations:	2019	2018
	₦	₦
Nigerian Baptist Convention	200,000	-
Chartered Insurance Institute of Nigeria 60th Anniversary	75,000	-
Nigerian Insurance Association- Rebranding project	-	2,270,390
Baptist Mission School	-	100,000
Catholic Men Organisation Archdiocese of Lagos convention	-	150,000
TOTAL	275,000	2,520,390

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

BENEFICIAL OWNERSHIP

The following shareholders held 5% or more of the issued and paid up shares of the Company as at 31 December 2019:

Name of Holder	No. of Shares	Percentage of ₦1.00 Each Shareholding.
Mutual Benefits Assurance Plc	329,000,000	99.70

EVENT AFTER THE REPORTING DATE

As disclosed in Note 52 to the consolidated and separate financial statements, other than the impact of COVID 19, there are no significant events after the reporting date which could have had material effect on the state of affairs of the Company as at 31 December 2019, and its profit or loss and other comprehensive income for the year then ended.

EMPLOYMENT AND HUMAN RESOURCES (HR) MATTERS

(i) Employee Involvement and Training

The Company recognises that the acquisition of knowledge is continuous, and that to foster commitment, its employees need to hone their awareness of factors: economic, financial or otherwise, that affects its growth. To this end, the Company in the execution of its training programmes (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 gender analysis of the total workforce is as follows:

	Male Number	Female Number	Male %	Female %
Employees	88	49	64	36
Gender analysis of Board and Top Management is as follows:				
Board	5	-	100	-
Top Management	5	2	71	29

Gender Analysis

Detailed analysis of the Board and Top Management is as follows:

	Male Number	Female Number	Male %	Female %
Controller	3	2	60	40
Deputy General Manager	2	-	100	-
Executive Director	1	-	100	-
Chief Executive Officer	1	-	100	-
Non-Executive Director	3	-	100	-

(ii). Employment of disabled persons

The Company adopts a non-discriminatory policy of giving fair consideration to applications for employment including those received from disabled persons having regard to their particular aptitudes and abilities.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

EMPLOYMENT AND HUMAN RESOURCES (HR) MATTERS - Continued

(iii). Employee Health Safety and Welfare

The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, free medical services are provided for the Company's employees through Health Management Organisations (HMO). Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. The Company also operates a contributory pension plan in line with the Pension Reform Act 2014.

Welfare facilities provided include: housing for employees (or payment of allowance in lieu), 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 amongst others.

AUDITORS

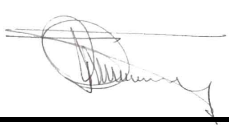
The Auditors, Messrs. Ernst & Young indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria, CAP C20 Laws of the Federation of Nigeria 2004.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

In view of its commitment to the implementation of effective corporate governance principles in its business operations, the Company filed its periodic returns with the National Insurance Commission (NAICOM) and Corporate Affairs Commission as required by regulation.

Also, in line with the principles of Corporate Governance the Company made efforts to satisfy the requirement of convening a Board Meeting every quarter. The established Board Committees established are equally viable and are working in line with their Terms of Reference.

By order of the Board



Jide Ibitayo
Company Secretary

FRC/2013/NBA/00000003123
Aret Adams House
233 Ikorodu Road
Ilupeju
Lagos

Date: 20 March 2020

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Mutual Benefits Life Assurance Limited remains committed to the principles and practices that promote good Corporate Governance. We recognize that sound corporate governance practices are necessary for effective management and control of the Company's business. The Company adopts a responsible attitude towards Corporate Governance and issues of Corporate Social Responsibility. The Company conducts its business with integrity and pays due regard to the legitimate interest of its stakeholders.

The Company continues to comply with its Internal Governance Policies and 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 Governance 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. The Board consists of six (4) Directors, made up of one (1) Executive Director and three (3) Non-Executive Directors, one of whom is the Chairman. The Directors are experienced stakeholders with diverse professional backgrounds in Insurance, Accounting, Commerce, Management, Engineering, Government etc. The Directors are people 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 reports from Committees of the Board are circulated to all the Directors. The Board meets quarterly.

(a) RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Acts CAP 20, Laws of the Federation of Nigeria 2004, the record of Director's attendance and meetings held during year 2019 is available for inspection at the Annual General Meeting. The meetings of the Board were presided over by the Chairman and the Board met three (3) times during the year as detailed in the table below. Written notices of the Board meetings, along with the agenda circulated at least fourteen days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED**CORPORATE GOVERNANCE REPORT - Continued****FOR THE YEAR ENDED 31 DECEMBER 2019****(a) RECORD OF DIRECTORS' ATTENDANCE**

DIRECTORS	16-01-19	27-03-19	16-12-19	TOTAL
Mr. Babatunde Dabiri	✓	✓	NA	3
Mr. Soye Olatunji	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3
Mr. Olusegun Omosehin	✓	✓	✓	3
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr Rantimi Ogunleye	✓	✓	✓	3

ü	Attended	X	Absent
NA	Not Applicable		

(b) COMMITTEES

The Board performed its functions through a total of three Standing Committees during the year 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 Board.

(i) Finance, Investment & Strategy Committee

The Finance & Investment Committee comprises four members namely: Mr Olusegun Omosehin, Mr Soye Olatunji, Mr. Hakeem Oguntola, and Mr Femi Asenuga.

The Committee met three (3) times 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 Olusegun Omosehin Chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	16-01-19	24-04-19	29-10-19	TOTAL
Mr. Olusegun Omosehin	✓	✓	✓	3
Mr Soye Olatunji	✓	✓	✓	3
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3

(ii). The Governance/Personnel Committee

The Governance / Personnel Committee comprises three members: Mr Soye Olatunji, Mr Segun Omosehin and Mr. Hakeem Oguntola. The Committee is chaired by Mr Soye Olatunji.

The Committee met three (3) times to make recommendation on the governance of the Company, remuneration and general welfare of the Senior Management and Staff of the Company. The records of attendance at the meetings are as follows:

MEMBERS	24-04-19	26-07-19	16-12-19	TOTAL
Mr Soye Olatunji	✓	✓	✓	3
Mr. Olusegun Omosehin	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(iii) Audit & Risk Management Committee

The Committee is made up of three (3) members namely, Mr Hakeem Oguntola, Mr Soye Olatunji and Mr Rantimi Ogunleye. The Audit & Risk Management Committee met three (3) times during the year under review to ensure compliance with Enterprise Risk Management Policies and the Regulatory Risk Management Requirements. The Committee tasked with the oversight functions of scrutinizing the Company's Accounts. The Committee also deliberates on and make recommendations to the Board on technical and special matters in connection with the core business of the Company as referred to it from time to time by the Board. The records of attendance at the meetings are as follows:

MEMBERS	16-01-2019	23-04-19	16-12-19	TOTAL
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr Soye Olatunji	✓	✓	✓	3
Mr Rantimi Ogunleye	✓	✓	✓	3

(C) Enterprise Risk Management

i. Introduction and Overview

Mutual Benefits Life Assurance Limited has a clear and functional Enterprise Risk Management (ERM) framework that is responsible for identifying, assessing and managing the likely impact of risk faced by the Company.

ii. Enterprise-wide Risk Management Principles

At Mutual Benefits Life Assurance Limited, we try as much as possible to balance our portfolio of risks while maximizing value to stakeholders through an approach that mitigates the inherent risks and reward our business.

To ensure effective and economic development of resources, we operate strictly

- 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 pervade the entire organisation.
- The Company will at all times hold a balanced portfolio and adhere to guidelines on investment issued by regulator and Finance and General Purpose Committee of the Company.
- The Company will ensure that there is adequate reinsurance in place for its businesses and also ensure prompt payment of such premiums.

iii. Approach to Risk Management

At Mutual Benefits Life Assurance Limited, there are levels of authority put in place for the oversight function and management of risk to create and promote a culture that mitigates the negative impact of risks facing the Company.

iv. The Board

The Board sets the organisation's objectives, risk appetite and approves the strategy for managing risk. There is a Board Committee on Audit & Risk Management which ensures that various functions are geared towards minimizing the likelihood of the impacts of risks faced by the Company.

v. Audit & Risk Management Committee

This Committee oversees the business process. Their functions include;

- Reviewing the Company's risk appetite
- Oversee management's process for 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
- Review and recommend for approval of the Board, risk management procedures and controls for new products and services.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(C) Enterprise Risk Management

vi. Finance, Investment & Strategy Committee

Sets the investment limit and the type of businesses the Company should invest in.

- Reviews and approves the Company's investment policy
- Approves investments over and above Management's approval limit.
- Ensures that there is optimal asset allocation in order to meet the targeted

The second level is the management of the Company. This comprises the Managing Director and the Management

They are responsible for strategic implementation of the Enterprise Risk Management policies and guidelines set by the Regulator, Government and the Board for risk mitigation. This is achieved through the business unit they supervise.

The third line of defence is that of the independent assurance. This comprises the internal audit function that provides independent and objective assurance of the effectiveness of the Company's system of internal control established by the first and second lines of defence in management of Enterprise Risk across the organisation.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2019

To the members of Mutual Benefits Life Assurance Limited

In accordance with the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, the relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011, the members of the Audit & Risk Management Committee of Mutual Benefits Life Assurance Limited hereby report as follows:

- We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and we acknowledge that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Company's Internal Control Systems.
- We confirm that the accounting and reporting policies of the Group are in accordance with legal requirements and agreed ethical practices.
- We are satisfied with the Management's responses to the external auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and Internal Control.
- We acknowledge the co-operation of Management and staff in the conduct of statutory responsibilities.



HAKEEM OGUNTOLA

Chairman, Audit & Risk Management Committee
FRC/2018/ICAN/00000017954

Members of the Audit & Risk Management Committee are:

- 1 Hakeem Oguntola**
- 2 Rantimi Ogunleye**
- 3 Soye Olatunji**

Secretary to the Committee

Babajide Ibitayo

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, state of financial affairs of the Group at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the Group:

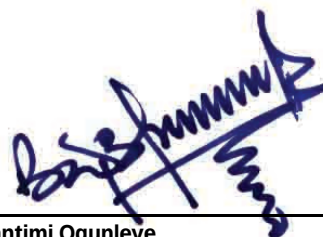
- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.
- d) The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of financial affairs of the Group and the Company as at, and of its profit or loss and other comprehensive income for the year ended 31 December 2019. 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 financial control.

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



Mr. Soye Olatunji
Chairman
FRC/2013/ICAN/00000004720



Rantimi Ogunleye
Managing Director/CEO
FRC/2012/CIIN/00000000526

Date: 20 March 2020

Date: 20 March 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED**

Report on the Audit of Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Mutual Benefits Life Assurance Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (IASB) and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Company and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Mutual Benefits Life Assurance Limited and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED - Continued**

Key Audit Matters- continued

Key Audit Matters	How the matter was addressed in the audit
<u>Adequacy of valuation of Insurance Contract Liabilities</u> The Group has insurance contract liabilities of ₦9.1 billion (2018: ₦9.7 billion), which includes outstanding claims of ₦6.7 billion (2018: ₦6.3 billion) as at 31 December 2019 representing 18% (2018: 18%) of the Group's total liabilities. The valuation of these liabilities is highly judgmental as it requires a number of assumptions to be made with high estimation uncertainty such as future outcomes of claims, including primarily the timing and ultimate full settlement of long-term policy liabilities. It requires economic assumptions such as investment return and interest rates, future inflation rates and non-economic actuarial assumptions such as mortality, mobility, customer behavior and uniform risk occurrence. Consistent with the insurance industry practice, the Group engaged an independent actuary to test the adequacy of the insurance contract liability valuation as at year end. Due to its significance and the complexity of the related estimation and judgements, this is considered to be a key audit matter. Insurance contract liabilities are disclosed in Note 33 to the consolidated and separate financial statements.	We used our in-house actuarial specialist to assist us in performing the audit procedures in the area of reviewing the Company's Independent Actuary's reports on life business which included among others: - the appropriateness of assumptions used in the valuation of the insurance contracts by reference to Company and industry data and expectations. - the appropriateness of non-economic assumptions used in the valuation of the Insurance contract liabilities in relation to lapse or extension assumptions by reference to company specific and industry data. Other Key audit procedures included: - We reviewed and documented management's process for estimating insurance contracts - Performed file review of specific underwriting contracts in order to maximize our understanding of the book of business and validate initial loss estimates. - Reviewed subsequent year claim payments to confirm the reasonableness of initial loss estimates.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Value Added, Five-Year Financial Summary and Corporate Governance Report as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The other information was obtained prior to the date of this report, and the Annual Report is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our Auditor's report thereon.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED - Continued**

Directors' Responsibility for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED - Continued**

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements - Continued

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

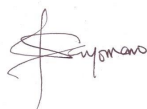
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003, 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, in so far as it appears from our examination of those books;
- iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;
- iv) in accordance with the provisions of Section 28(2) of the Insurance Act 2003, the statement of financial position, statement of profit or loss and statement of other comprehensive income gives a true and fair view of financial position and financial performance of the Company.



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Oluwasayo Elumaro, FCA
FRC/2012/ICAN/00000000139

For Ernst & Young
Lagos, Nigeria

Date: 15 May 2020



MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

Mutual Benefits Life Assurance Limited (“the Company”) (R681998) was incorporated as a private limited liability company on 20 February 2007, granted the Certificate of Registration as an insurer by the National Insurance Commission (NAICOM) on 14 November 2007 and commenced operation immediately.

The Company is a financial and wealth protection company in Nigeria. The principal objective of the Company is to render qualitative life related insurance & risks management services. It is a premium provider of life insurance, annuity and investment products and services. The address of the registered office is: Aret Adams House, 233 Ikorodu Road, Ilupeju, Lagos.

The Company pays claims arising from insurance contract liabilities and investments policy holders’ funds in line with the provision of Insurance Act, CAP 117, Law of the Federal Republic of Nigeria 2014 and NAICOM prudential guidelines.

The principal activities of the subsidiaries and information of the Group’s structure are disclosed in Note 28. Information on other related party relationships of the Group is provided in Note 50.

The consolidated and separate financial statements of the Company and its subsidiaries were authorised for issue by the Board of Directors on 20 March 2020.

Going Concern

The consolidated and separate financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Group.

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

2. Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements (“the financial statements”) are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Basis of presentation and statement of compliance with IFRS

These consolidated and separate financial statements of the Company and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011 been included where appropriate.

The consolidated and separate financial statements comprise of the statements of financial position, the statements of profit or loss, statements of other comprehensive income, the statements of changes in equity, the statements of cash flows, summary of significant accounting policies and the notes.

The consolidated and separate financial statements values are presented in Nigerian Naira (₦) rounded to the nearest thousand (₦’000), unless otherwise indicated.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.2 Basis of presentation and compliance with IFRS - Continued

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

(a) Basis of measurement

These consolidated and separate financial statements have been prepared on the historical cost basis except for investment properties and financial assets held at FVPL and FVOCI, which are recognized at fair value.

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in **Note 2.3.37**.

2.3. Significant accounting policies

Except for the effect of the changes in accounting policies as disclosed in **Note 2.3.36.1**, if any, the Group has consistently applied the following accounting policies to all periods presented in these financial statements

2.3.1 Basis of Consolidation

The consolidated and separate financial statements comprise the financial statements of the Group and its investees that are considered subsidiaries as at 31 December 2019. Subsidiaries are investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Group's voting rights and potential voting rights

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.1 Basis of Consolidation – Continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction (transactions with owners).

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3.2 Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.3.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.3 Business combinations and goodwill - Continued

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.4 Foreign currency translation

The Group's consolidated financial statements are presented in Naira which is also the parent company's functional currency. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2.3.4.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income (OCI) until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.4.2 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Naira at the rate of exchange prevailing at the reporting date and their statement of profit or loss is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

2.3.5 Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments; assurance business, real estate and microfinance bank.

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments i.e life assurance business, real estate and microfinance. Significant geographical regions have been identified as the secondary basis of reporting, which are Nigeria, Niger and Liberia as disclosed Note 3.6.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

2.3.6 Revenue recognition

Revenue comprises premium, fee & commissions, investment income, value for services rendered, net of value-added tax, after eliminating revenue within the Group.

2.3.6.1 Gross premiums

Gross recurring premiums on life and investment contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Gross premium income include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.6.2 Reinsurance premiums

Gross outward reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Reinsurance commission income

Reinsurance commission income represents commission received on direct business and transactions ceded to re-insurance during the year. It is recognized over the cover provided by contracts entered into the period and are recognized on the date on which the policy incepts.

2.3.6.3 Commission income

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

2.3.6.4 Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established and Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms

2.3.6.5 Rendering of services and sales of goods

Revenue from sales of goods arising from property business engaged in by the Group. The revenue recognition is contingent on when control is transferred to buyer.

2.3.6.6 Finance income

Interest income arising from the micro finance banking services offered by the Group and is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.7 Benefits, claims and expenses recognition

2.3.7.1 Gross benefits and claims

Gross benefits and claims for life insurance contracts include 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. Death claims and surrenders are recorded on the basis of notifications received.

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.3.7.2 Reinsurance claims

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

2.3.7.3 Underwriting expenses

Underwriting expenses comprise acquisitions costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. These costs also include fees and commission expense. Other underwriting expenses are those incurred in servicing existing policies and contracts. Acquisition costs are recognized in the statement of profit or loss over the tenor of the insurance cover.

2.3.7.4 General administrative expenses

These are expenses other than claims and underwriting expenses. They include employee benefits, professional fees, depreciation expenses and other non-operating expenses. Management expenses are accounted for on accrual basis and recognized in the statement of profit or loss upon utilization of the service or at the date of origination.

2.3.7.5 Finance costs

Interest expense arising from the micro finance banking services offered by the Group is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest-bearing financial liability.

2.3.8 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less from origination, which are subject to an insignificant risk of changes in value and not subject to any encumbrances.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Group's cash management.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.9.1 Financial assets

2.3.9.1.1 Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.3.9.1.2 Financial assets subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses
Upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes short-terms deposits with banks, Loans and receivables, and other Debt instruments at amortised cost if both of the following conditions are met

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9.1.2 Financial assets subsequent measurement

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as investment income in the statement of profit or loss when the right of payment has been established.

2.3.9.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a regulatory no premium no covers impairment approach.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3.9.1.5 The calculation of ECLs

The Group calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs the Group considers three scenarios (a base case, an upside, and a downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted loans will cure.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ELC calculations into one of these categories, determined as follows:

Stage 1 (12mECL): The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the three scenarios, as explained above.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9.1.5 The calculation of ECLs

Stage 2 (LTECL): When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

Stage 3/Impairment (LTECL): For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.3.9.1.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements

2.3.9.2 Financial liabilities

2.3.9.2.1 Initial recognition and measurement

Financial liabilities are classified at initial recognition, as borrowing, payables and other payables as appropriate.

All financial liabilities are recognized initially at fair value. The Group's financial liabilities include trade payables, other accrual and payables.

2.3.9.2.2 Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification.

i. Payables and other payables

Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. If the due date of the liability is less than one-year discounting is omitted.

ii. Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

2.3.9.2.3 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.10 Deposit liabilities

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

Interest paid on the deposits is expensed as finance cost 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.

2.3.11 Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in **Note 3.5**.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- v In the principal market for the asset or liability, or
- v In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- v Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- v Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- v Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.11 Fair value measurement - continued

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published bid values in an active market.

For other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

2.3.12 Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets to pledged assets, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.

Initial recognition of pledged assets is at fair value, whilst subsequent measurement is based on the classification and measurement of the financial asset in accordance with IFRS 9.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.13 Trade receivables

Trade receivables (premium receivable) are initially recognized at fair value and subsequently measured at amortised cost less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

An allowance for impairment is made when there is objective evidence such as the probability of solvency or significant financial difficulties of the debtors that the Group will not be able to collect the amount due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

2.3.14 Reinsurance

2.3.14.1 Reinsurance ceded to reinsurance counterparties

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

2.3.14.2 Prepaid reinsurance

Prepaid reinsurance are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date and is reported under reinsurance assets in the statement of financial position. Prepaid reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

2.3.15 Other receivables and prepayment

Other receivables are made up of prepayments and other amounts due from parties which are not directly linked to insurance or investment contracts. Except prepayment and other receivables that are not financial assets, these are measured at amortised costs. Discounting is omitted where the effect of discounting is immaterial.

2.3.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.16 Impairment of non-financial assets - continued

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of goodwill:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December.

The recoverable amount of the banking CGU have been determined based on a value in use calculation. The calculation requires the Group to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at 31 December, either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.3.17 Deferred expenses

Deferred acquisition costs (DAC)

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.17 Deferred expenses - continued

Deferred acquisition costs (DAC)

Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. The DAC asset for life insurance is amortised over the expected life of the contracts as a constant percentage of expected premiums. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period.

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

2.3.18 Inventories and work in progress

The Group recognises property as inventory under the following circumstances:

- v property purchased for the specific purpose of resale;
- v property constructed for the specific purpose of resale (work in progress under the scope of IFRS 15, "Revenue"); and
- v property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

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.

2.3.19.1 Leases (policy applicable beginning 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of buildings that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.19.2 Leases (policy applicable prior to 1 January 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Contingent rental payable is recognised as an expense in the period in which they are incurred. All other leases are considered finance leases.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases.

Rental income is recognised as revenue in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. All other leases are considered finance leases.

Advances to customers under finance lease

Advances to customers under finance lease are stated net of principal repayments. Finance lease income is recognised in a manner which provides a constant yield on the outstanding principal over the lease term.

2.3.20 Asset held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: Represents a separate major line of business or geographical area of operations, Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Or Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.21 Investment properties

Investment properties held for rental income and capital appreciation are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. 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 owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

2.3.22 Investments in subsidiaries

Investments in subsidiaries are carried in the separate statement of financial position at cost less allowance for impairment losses. Where, there has been impairment in the value of investments in subsidiaries, the loss is recognised as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss account.

2.3.23 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period (five years) and the amortisation method (straight line) for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are 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 the profit or loss in the expense category consistent with the function of the intangible asset.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.23 Intangible assets – continued

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognized.

2.3.24 Property, plant and equipment

Property, plant and equipment (excluding building) is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Building is measured at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed at least once in every 5 years or when a major improvement is carried out to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case, the increase is recognised in the profit or loss. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost less the residual values over the estimated useful lives as follows;

Leasehold building	over the remainder of the life of the lease
Building	2%
Leasehold improvements	20%
Plant and machinery	20%
Motor vehicles	25%
Furniture and fittings	20%
Office equipment	20%
Computer equipment	20%

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the profit or loss as an expense.

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.25 Statutory deposit

Statutory deposit represents fixed deposit with the Central Bank of Nigeria in accordance with Section 10(3) of the Insurance Act, 2003. The deposit is recognised at cost in the statement of financial position being 10% of the statutory minimum capital requirement of ₦3 billion for General insurance business and of ₦2 billion for life business. Interest income on the deposit is recognised in the statement of profit or loss in the period the interest is earned.

2.3.26 Deposit for shares

Deposit for shares are amounts that the Company has placed with (asset) or received from subsidiary, associate or another company (liability) for the ultimate purpose of equity investment in the relevant company for which relevant regulatory formalities have not been completed at the reporting date. Deposits for shares are carried at cost less accumulated impairment losses, if any.

2.3.27 Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature. These are computed in compliance with the provisions of Sections 20, 21, and 22 of the Insurance Act 2003 as follows:

2.3.27.1 General insurance contracts

These contracts are accident and casualty and property insurance contracts. Accident and casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability). Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

(i) Reserves for unearned premium

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

(ii) Reserves for outstanding claims

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.27 Insurance contracts – Continued

2.3.27.2 Life business

These contracts insure events associated with human life (for example, death or survival). These are divided into the individual life, group life and annuity contracts.

Individual life contracts are usually long-term insurance contracts and span over one year while the group life insurance contracts usually cover a period of 12 months. A liability for contractual benefits that are expected to be incurred in the future when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, persistence, maintenance expenses and investment income that are established at the time the contract is issued.

2.3.27.3 Annuity contracts

These contracts insure customers from consequences of events that would affect the ability of the customers to maintain their current level of income. There are no maturity or surrender benefits. The annuity contracts are fixed annuity plans. Policy holders make a lump sum payment recognised as part of premium in the period when the payment was made. Constant and regular payments are made to annuitants based on terms and conditions agreed at the inception of the contract and throughout the life of the annuitants. The annuity funds are invested in long term government bonds and reasonable money markets instruments to meet up with the payment of monthly/quarterly annuity payments. The annuity funds liability is actuarially determined based on assumptions as to mortality, persistence, maintenance expenses and investment income that are established at the time the contract is issued.

(i). Life fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.

Liability adequacy test

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

2.3.28 Investment contracts

Investment contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the statement of profit or loss.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.28 Investment contracts - Continued

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

2.3.29 Deferred revenue

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and is included in investment income.

Reinsurance commission

This relates to commissions receivable on outwards reinsurance contracts which are deferred and amortized on a straight-line basis over the term of the expected premiums payable.

2.3.30 Taxes

2.3.30.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate. Tax/back duty assessments are recognized when assessed and agreed to by the Group with the Tax authorities, or when appealed, upon receipt of the results of the appeal.

2.3.30.2 Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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

Ø Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.30 Taxes

2.3.30.2 Deferred tax - Continued

Ø In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized 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 current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.31 Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within Group's control. Contingent liabilities are not recognized in the financial statements but are disclosed.

Onerous contracts

A provision is recognized for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.3.32 Trade payable

Trade payable (Insurance payables) are recognised when due and measured on initial recognition at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method. Discounting is omitted where the effect of discounting is immaterial.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.33 Equity

2.3.33.1 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are recognised in equity, net of tax as a deduction from the proceeds. Where any member of the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is reported as a separate component of equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

2.3.33.2 Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

2.3.33.3 Foreign currency translation reserve

The assets and liabilities of foreign operations are translated to Naira at closing functional currency rates at the reporting date. The income and expenses of foreign operations are translated to Naira at spot rates at the dates of the transactions. Foreign currency differences on the translation of foreign operations are recognized in other comprehensive income and accumulated in foreign currency translation reserves in the statement of financial position.

2.3.33.4 Contingency reserve

Life business

In compliance with Section 22 (1) (b) of Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premium or 10% of net profit.

2.3.33.5 Revaluation reserve

Revaluation reserve represents the fair value differences on the revaluation of items of property, plant and equipment as at the statement of financial position date. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an assets carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss, however, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in respect of an item of property, plant and equipment is transferred to retained earnings when the asset is derecognised. This involves transferring the whole of the surplus when the asset is retired or disposed. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Transfers from revaluation reserve to retained earnings are not made through profit or loss.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.33 Equity

2.3.33.6 Fair value reserve - continued

Fair value reserve represents increases or decreases in fair value of equity instruments measured at FVOCI reported directly in other comprehensive income. Gains and losses on these equity instruments are never recycled to profit or loss. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognized.

2.3.34 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 Company by the weighted average number of ordinary shares outstanding during the period excluding treasury shares held by the Company.

Diluted earnings per share amounts are calculated by dividing the net profit by the weighted number of ordinary shares outstanding during the year plus the weighted number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.3.35 Retirement obligations and Employee benefits

The Group operates the following contribution and benefit schemes for its employees:

2.3.35.1 Defined contribution pension scheme

The Group operates a defined contributory pension scheme for eligible employees. Company contributes 10% of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2014. The Company pays the contributions to a pension fund administrator. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.3.35.2 Short-term benefits

Wages, salaries, annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses in the statement of profit or loss and paid in arrears when the associated services are rendered by the employees of the Company.

2.3.36 Changes in accounting policy and disclosures

New and amended standards and interpretations

In these financial statements, the Group has applied IFRS 16 effective for annual periods beginning on or after 1 January 2019, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.36.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.36 Changes in accounting policy and disclosures

New and amended standards and interpretations

2.3.36.1 IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to **Note 2.3.19.1** for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

- *Leases previously accounted for as operating leases*

The Group applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application. The Group does not have leases with lease term that is more than 12 months.

Therefore, the Group will continue to recognise lease payments on short-term leases and leases of low value assets as expense on a straight-line basis over the lease term.

The following other amendments and interpretations also apply for the first time in 2019, but do not have an impact on the Company's consolidated financial statements.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation -Amendments to IFRS 9.
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28.
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19.
- AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation.
- AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation.
- AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity.
- AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.37 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future reporting periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

1. Capital management Note 3.2
2. Financial risk management and policies Note 3.1.2

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated and separate financial statements:

Property lease classification - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognise in the financial statements:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability 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 the statement of profit or loss in 'Gross change in contract liabilities'. Profits originated from margins for adverse deviations on run-off contracts are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or cancelled.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.37 Significant accounting judgments, estimates and assumptions - Continued

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.

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

Fair value investment property

The valuation of investment properties is based on the price for which comparable land and properties are being exchanged hands or are being marketed for sale. Therefore, the market-approach Method of Valuation. By nature, detailed information on concluded transactions is difficult to come by. The past transactions and recent adverts are being relied upon in deriving the value of the subject properties. At least, **eight properties** will be analysed and compared with the subject property.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

The Group's internal credit grading model, which assigns PDs to the individual grades

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Fair value of financial instruments using valuation techniques

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the Company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.37 Significant accounting judgments, estimates and assumptions - Continued

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

2.3.38 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have an impact on the financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendments are not expected to have an impact on the financial statements of the Group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.38 Standards issued but not yet effective

The Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship. To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.38 Standards issued but not yet effective

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The Group would adopt the amendments when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.38 Standards issued but not yet effective

IFRS 17 Insurance Contracts

The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 - Continued

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.38 Standards issued but not yet effective

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 - continued

Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Therefore, the amendments are effective for annual reporting period beginning on or after 1 January 2022. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively.

The amendments are not expected to have an impact on the financial statements of the Company.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2019

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Gross premium written	4.1	10,331,198	7,822,397	8,488,202	5,914,556
Gross premium income	4.1	9,583,495	7,957,140	7,797,948	6,193,018
Premiums ceded to reinsurers	4.2	(873,975)	(707,902)	(753,189)	(537,713)
Net premium income	4.3	8,709,520	7,249,238	7,044,759	5,655,305
Commission income	5	134,558	103,092	131,570	96,536
Net underwriting income		8,844,078	7,352,330	7,176,329	5,751,841
Net benefits and claims	6	3,699,635	4,678,837	3,176,645	4,088,467
Changes in individual life fund	33.1.2	354,439	455,428	354,439	455,428
Changes in annuity reserve	33.1.3	(94,408)	21,990	(94,408)	21,990
Underwriting expenses	7	2,068,800	1,610,042	1,871,828	1,403,045
Net underwriting expenses		6,028,466	6,766,297	5,308,504	5,968,930
Underwriting profit/(loss)		2,815,612	586,033	1,867,825	(217,089)
Profit on investment contracts liabilities	8	1,068,929	1,548,910	1,068,929	1,548,910
Investment income	9	1,205,789	1,107,465	1,106,055	1,161,210
Net fair value gain/(loss) on assets at FVTPL	10	529,450	(31,528)	529,450	(31,528)
Other income	11	55,294	116,287	11,015	19,778
Impairment loss on financial assets	12	(315,804)	(109,646)	(258,780)	(9,282)
Employee benefit expenses	13	(1,185,065)	(1,028,469)	(792,606)	(621,595)
Management expenses	14	(1,931,488)	(1,726,284)	(1,152,210)	(1,144,311)
Operating profit		2,242,717	462,768	2,379,678	706,093
Finance costs	15	(50,964)	(46,199)	-	-
Finance income	16	270,329	327,860	-	-
Profit before income tax		2,462,082	744,429	2,379,678	706,093
Income tax credit/(expense)	17	63,853	(75,357)	117,616	(80,917)
Profit for the year		2,525,935	669,072	2,497,294	625,176
Profit attributable to:					
Owners of the parent		2,556,449	648,193	2,497,294	625,176
Non-controlling interests		(30,514)	20,879	-	-
		2,525,935	669,072	2,497,294	625,176
Earnings per share:					
Earnings per share for profit attributable to equity holders of parent					
Basic and diluted (kobo)	18.1	1,010	259		

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Profit for the year		2,525,935	669,072	2,497,294	625,176
Other comprehensive income (net of tax):					
Items that may be reclassified to the profit or loss in subsequent period:					
Exchange differences on translation of foreign operations		(185,811)	218,277	-	-
		(185,811)	218,277	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)					
Net revaluation gains on equity Instruments at FVOCI	20.1	(388,681)	41,609	(388,681)	35,043
Revaluation gain on land		-	55,503	-	-
		(388,681)	97,112	(388,681)	35,043
Total other comprehensive income for the year, net of tax		(574,492)	315,389	(388,681)	35,043
Total comprehensive income for the year, net of tax		1,951,443	984,461	2,108,613	660,219
Total comprehensive income attributable to:					
Owners of the parent		1,990,304	950,050	2,108,613	660,219
Non-controlling interests	47	(38,862)	34,411	-	-
		1,951,443	984,461	2,108,613	660,219

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 December 2019		31 December	31 December	31 December	31 December
in thousands of Nigerian Naira	Notes	2019	2018	2019	2018
ASSETS					
Cash and cash equivalents	19	4,674,079	3,030,386	2,081,656	1,926,187
Equity instruments at fair value through OCI	20.1	288,125	676,806	216,059	604,740
Loans and receivables	20.2	10,904,152	11,552,741	10,042,114	10,378,981
Debt Instruments at amortised cost	20.3	18,120,383	14,885,306	18,120,383	14,885,306
Debt instruments at fair value through P/L	20.5	4,291,374	487,230	4,291,374	487,230
Trade receivables	21	247,231	526,076	-	248,097
Reinsurance assets	22	2,490,864	2,067,212	2,127,927	1,635,300
Other receivables and prepayments	23	985,258	1,064,364	751,979	672,714
Deferred acquisition costs	24	171,230	104,388	171,230	104,388
Inventories	25	436,156	518,236	-	-
Assets held for sale	26	-	5,550,000	-	5,550,000
Investment properties	27	6,875,000	1,420,000	6,875,000	1,420,000
Investments in subsidiaries	28	-	-	896,981	896,981
Intangible assets	29	26,133	38,626	22	787
Property, plant and equipment	30	1,028,165	1,241,256	127,465	218,059
Deposit for investment in equity shares	32	-	-	120,000	-
Deferred tax assets	39.1	235,099	120,422	184,442	26,869
Goodwill		-	1,543	-	-
Statutory deposit	31	200,000	200,000	200,000	200,000
Total assets		50,973,249	43,484,592	46,206,632	39,255,639
LIABILITIES					
Insurance contract liabilities	33	9,072,297	7,917,919	8,121,751	6,707,244
Investment contract liabilities	34	26,266,129	25,276,261	26,263,838	25,261,335
Trade payables	35	1,187,614	913,130	925,363	691,521
Other liabilities	36	1,192,255	738,652	655,075	384,271
Deposit liabilities	37	389,640	512,153	-	-
Current income tax payable	38	251,196	313,614	168,891	248,167
Deferred tax liabilities	39.2	336,035	451,233	-	-
Total liabilities		38,695,166	36,122,962	36,134,918	33,292,538
EQUITY					
Share capital	40.2	330,000	250,000	330,000	250,000
Share premium	41	5,670,000	3,750,000	5,670,000	3,750,000
Foreign currency translation reserve	42	938,821	1,116,284	-	-
Contingency reserve	43	715,529	465,798	715,529	465,798
Revaluation reserve	44	180,736	180,736	-	-
Fair value reserve	45	(537,547)	(148,866)	(500,413)	(111,732)
Retained earnings	46	3,879,697	1,572,979	3,856,598	1,609,035
Total ordinary shareholders' equity		11,177,236	7,186,931	10,071,714	5,963,101

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION - Continued

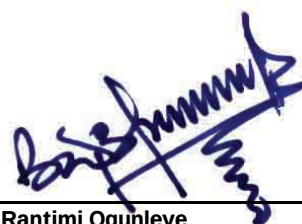
As at 31 December 2019

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Owners of the parent		11,177,236	7,186,931	10,071,714	5,963,101
Non-controlling interests in equity	47	1,100,847	174,699	-	-
Total equity		12,278,083	7,361,630	10,071,714	5,963,101
Total liabilities and equity		50,973,249	43,484,592	46,206,632	39,255,639

The consolidated and separate financial statements and accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 20 March 2020 and were signed on its behalf by:



 Mr. Soye Olatunji
 FRC/2013/ICAN/00000004720
 Director



 Mr. Rantimi Ogunleye
 FRC/2012/CIIN/00000000526
 Managing Director



 Mrs. Olajumoke Akinnawo-Ajikobi
 FRC/2014/ICAN/00000006772
 Chief Financial Officer

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group For the year 31 December 2019 in thousands of Nigerian Naira	Note	Attributable to equityholders of the Company							Total	Non - controlling interests	Total equity
		Share capital	Share premium	Foreign translation reserve	Revaluation reserve	Fair value reserve	Contingency reserve	Retained earnings			
Restated opening balance		250,000	3,750,000	911,064	128,008	(192,775)	403,280	987,304	6,236,881	189,347	6,426,228
Profit for the year		-	-	-	-	-	-	648,193	648,193	20,879	669,072
Other comprehensive income		-	-	205,220	52,728	43,909	-	-	301,857	13,532	315,389
Total comprehensive income for the year, net of tax		-	-	205,220	52,728	43,909	-	648,193	950,050	34,411	984,461
<i>Transactions with owners of equity</i>											
Transfer to contingency reserve		-	-	-	-	-	62,518	(62,518)	-	-	-
Dividend declared and paid		-	-	-	-	-	-	-	-	(49,059)	(49,059)
Total transactions with owners of equity		-	-	-	-	-	62,518	(62,518)	-	(49,059)	(49,059)
As at 31 December 2018		250,000	3,750,000	1,116,284	180,736	(148,866)	465,798	1,572,979	7,186,931	174,699	7,361,630
As at 1 January 2019		250,000	3,750,000	1,116,284	180,736	(148,866)	465,798	1,572,979	7,186,931	174,699	7,361,630
Profit for the year		-	-	-	-	-	-	2,556,449	2,556,449	(30,514)	2,525,935
Other comprehensive income		-	-	(177,463)	-	(388,681)	-	-	(566,144)	(8,348)	(574,492)
Total comprehensive income for the year, net of tax		-	-	(177,463)	-	(388,681)	-	2,556,449	1,990,305	(38,862)	1,951,443
<i>Transactions with owners of equity</i>											
Issue of share capital		80,000	1,920,000	-	-	-	-	-	2,000,000	-	2,000,000
Inflow from NCI for acquisition of subsidiary shares	47	-	-	-	-	-	-	-	-	965,010	965,010
Transfer to contingency reserve		-	-	-	-	-	249,731	(249,731)	-	-	-
Total transactions with owners of equity		80,000	1,920,000	-	-	-	249,731	(249,731)	2,000,000	965,010	2,965,010
As at 31 December 2019		330,000	5,670,000	938,821	180,736	(537,547)	715,529	3,879,697	11,177,236	1,100,847	12,278,083

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY

Company

<i>For the year 31 December 2019 in thousands of Nigerian Naira</i>	<i>Note</i>	Share capital	Share premium	Fair value reserve	Contingency reserve	Retained earnings	Total
Restated opening balance		250,000	3,750,000	(146,775)	403,280	1,046,377	5,302,882
Profit for the year		-	-	-	-	625,176	625,176
Other comprehensive income net of tax		-	-	35,043	-	-	35,043
Total comprehensive income for the year, net of tax		-	-	35,043	-	625,176	660,219
<i>Transactions with owners of equity</i>							
Transfer to contingency reserve		-	-	-	62,518	(62,518)	-
Total transactions with owners of equity		-	-	-	62,518	(62,518)	-
<i>As at 31 December 2018</i>		250,000	3,750,000	(111,732)	465,798	1,609,035	5,963,101
<i>As at 1 January 2019</i>		250,000	3,750,000	(111,732)	465,798	1,609,035	5,963,101
Profit for the year		-	-	-	-	2,497,294	2,497,294
Other comprehensive income net of tax		-	-	(388,681)	-	-	(388,681)
Total comprehensive income for the year, net of tax		-	-	(388,681)	-	2,497,294	2,108,613
<i>Transactions with owners of equity</i>							
Issue of share capital		80,000	1,920,000	-	-	-	2,000,000
Transfer to contingency reserve		-	-	-	249,731	(249,731)	-
Total transactions with owners of equity		80,000	1,920,000	-	249,731	(249,731)	2,000,000
<i>As at 31 December 2019</i>		330,000	5,670,000	(500,413)	715,529	3,856,598	10,071,714

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

in thousands of Nigerian Naira

	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Cash flows from operating activities					
Cash received from insurance contract policy holders		10,610,043	7,647,442	8,736,299	5,740,050
Cash received from investment contract policy holders		12,508,839	12,054,121	12,521,474	12,483,993
Cash withdrawal by investment contract policy holders	34	(13,553,409)	(15,577,726)	(13,553,409)	(15,577,726)
Additions to deposit for premium	35.3	383,417	505,623	383,417	505,623
Fees and commission received		144,470	108,438	141,482	101,882
Reinsurance paid	35.1	(848,358)	(677,866)	(775,550)	(555,311)
Claims paid	6	(4,793,395)	(5,266,912)	(4,257,880)	(4,676,542)
Claims recovered from co-insurance	22.2	1,074,003	1,403,174	1,074,003	1,403,174
Commission paid		(926,353)	(789,581)	(722,045)	(588,498)
Payments to employees	13	(1,185,065)	(1,028,469)	(792,606)	(621,595)
Other cash received		300,460	403,768	5,620	-
Investment income	9	1,205,789	1,107,465	1,106,055	1,161,210
Net cash paid to brokers, suppliers and other providers of services		(3,970,392)	(2,973,194)	(3,503,291)	(3,299,712)
Income tax paid	38	(188,899)	(77,884)	(119,234)	(25,243)
Net cash flows from/(used in) operating activities	48	761,149	(3,161,601)	244,335	(3,948,695)
Investing activities:					
Purchase of property, plant and equipment	30	(50,539)	(319,471)	(16,859)	(40,257)
Proceeds from sale of property, plant and equipment		1,824	-	137	-
Proceeds from sale of investment properties		75,000	1,530,500	75,000	1,530,500
	20.2.2 &				
Receipts on loans and advances	20.2.3	2,310,000	2,250,000	2,408,087	2,570,000
Purchase of financial assets at amortised cost	20.4	(17,570,787)	(22,453,260)	(17,570,787)	(22,453,260)
Redemption of financial assets at amortised cost	20.4	16,225,019	19,947,081	16,225,019	19,947,081
Purchase of Financial assets recognised at fair value through profit or loss	20.5.1	(3,596,244)	(521,305)	(3,596,244)	(521,305)
Redemption of Financial assets recognised at fair value through profit or loss	20.5.1	501,386	600,761	501,386	600,761
Recovery of deposit for shares	32	-	70,000	-	70,000
Additions to deposit for shares	32	-	-	(120,000)	-
Purchase of intangible assets	29	(3,288)	-	-	-
Net cash flows (used in)/from investing activities		(2,107,630)	1,104,306	(2,094,261)	1,703,520
Financing activities					
Dividend paid to non-controlling interests	47	-	(49,059)	-	-
Increase in non-controlling interests	47	965,010	-	-	-
Issue of shares		2,000,000	-	2,000,000	-
Net cash flows from/(used in) financing activities		2,965,010	(49,059)	2,000,000	-
Net increase/(decrease) in cash and cash equivalents		1,618,530	(2,106,354)	150,074	(2,245,175)
Effects of exchange rate changes on cash and cash equivalents		25,163	40,379	5,395	19,778
Cash and cash equivalents as 1 January		3,030,386	5,096,361	1,926,187	4,151,584
Cash and cash equivalents at 31 December	19	4,674,079	3,030,386	2,081,656	1,926,187

The accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements are an integral part of these consolidated and separate financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3.1 Management of Insurance and financial risks

3.1.1 Insurance risks management

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(a) Life insurance contracts

Life insurance contracts offered by the Group include: whole life, term assurance, annuities plan, anticipated endowment insurance, mortgage protection, Individual Savings and Protection, Child Education, Mutual Education Guarantee Assurance and Keyman assurance policy.

Term Assurance is a form of Life insurance policy that pays out a lump sum (Sum Assured) in the event of the death of the policy holder. The insurance can be extended to cover permanent disability and medical expenses incurred as a result of an accident.

Mortgage Protection policy is a reducing term assurance scheme which guarantees the payment of balance outstanding in respect of the loan given by a financial institution (Mortgage) to a Life Assured (Mortgagor) should he die before the loan is fully repaid.

Endowment assurance policy pays to the beneficiaries of a deceased assured compensation which is equal to the Sum Assured selected by him/her from the commencement of the policy. It also guarantees that the capital sum (Sum Assured) all the accrued reversionary bonuses over the years be paid in the event that he/she survives till the end of the insurance year.

Individual Savings and Protection Plan is an anti-inflationary and income protection plan designed to assist all categories of individual cultivate a consistent savings culture and provide for their beneficiaries at death. A plan holder starts making a compulsory and regular savings for a number of years, which shall not be less than five years. Flexibility in the frequency of the premium payment is allowed.

Annuity Plan is a contract to pay a set amount (the annuity) every month or quarter while the annuitant (the person on whose life the contract depends) is still alive. Annuities are usually expressed in terms of the annual amount payable although in practice they can be payable monthly, quarterly, half-yearly or yearly. There are Immediate Annuity Plan, Deferred Annuity Plan, Guaranteed Annuity Plan, Annuity Certain and Increasing Annuity.

The main risks that the Group is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death/health experience being different than expected
- Longevity risk - risk of loss arising due to the annuitant living longer than expected
- Investment return risk - risk of loss arising from actual returns being different than expected
- Expense risk - risk of loss arising from expense experience being different than expected
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(a) *Life insurance contracts - Continued*

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group life reinsurance retention limits of ₦15,000,000 on any single life insured and ₦10,000,000 on all high risk individuals insured are in place.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The following tables show the concentration of life insurance contract liabilities.

<i>in thousands of Nigerian Naira</i>	GROUP			COMPANY		
	31 Dec-2019			31 Dec-2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	8,373,845	2,127,927	6,245,918	8,063,161	2,127,927	5,935,234
Credit Life Assurance Scheme	58,590	-	58,590	58,590	-	58,590
Total	8,432,435	2,127,927	6,304,508	8,121,751	2,127,927	5,993,824

<i>in thousands of Nigerian Naira</i>	GROUP			COMPANY		
	31 Dec-2018			31 Dec-2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	7,052,671	1,635,300	5,417,371	6,686,068	1,635,300	5,050,768
Credit Life Assurance Scheme	21,176	-	21,176	21,176	-	21,176
Total	7,073,847	1,635,300	5,438,547	6,707,244	1,635,300	5,071,944

The geographical concentration of the Group's life insurance contract liabilities is shown below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

<i>in thousands of Nigerian Naira</i>	GROUP			COMPANY		
	31 Dec-2019			31 Dec-2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	8,121,751	2,127,927	5,993,824	8,121,751	2,127,927	5,993,824
Liberia	310,684	-	310,684	-	-	-
Niger Republic	-	-	-	-	-	-
Total	8,432,435	2,127,927	6,304,508	8,121,751	2,127,927	5,993,824

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(a) Life insurance contracts - Continued

	GROUP			COMPANY		
	31 Dec-2018			31 Dec-2018		
<i>in thousands of Nigerian Naira</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	6,707,244	1,635,300	5,071,944	6,707,244	1,635,300	5,071,944
Liberia	366,603	-	366,603	-	-	-
Niger Republic	-	-	-	-	-	-
Total	7,073,847	1,635,300	5,438,547	6,707,244	1,635,300	5,071,944

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

► Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

► Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

► Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

► Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(a) Life insurance contracts - Continued

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Life insurance contracts

31 Dec-2019		GROUP			
in thousands of Nigerian Naira		Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on
	Change in	gross	net liabilities	profit before	equity
	assumptions	liabilities	tax		
Mortality/morbidity rate	+10%	35,039	35,039	35,039	24,527
Longevity	+10%	(2,192)	(2,192)	(2,192)	(1,534)
Lapse and surrenders rate	+10%	(99)	(99)	(99)	(69)
Discount rate	+1%	(25,170)	(25,170)	(25,170)	(17,619)
					-
Mortality/morbidity rate	-10%	(30,272)	(30,272)	(30,272)	(21,190)
Longevity	-10%	2,259	2,259	2,259	1,581
Lapse and surrenders rate	-10%	136	136	136	95
Discount rate	-1%	9,668	9,668	9,668	6,768

31 Dec-2018		GROUP			
in thousands of Nigerian Naira		Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on
	Change in	gross	net liabilities	profit before	equity
	assumptions	liabilities	tax		
Mortality/morbidity rate	+10%	30,381	30,381	30,381	21,267
Longevity	+10%	(3,861)	(3,861)	(3,861)	(2,702)
Lapse and surrenders rate	+10%	(9,794)	(9,794)	(9,794)	(6,856)
Discount rate	+1%	(35,804)	(35,804)	(35,804)	(25,063)
					-
Mortality/morbidity rate	-10%	(26,237)	(26,237)	(26,237)	(18,366)
Longevity	-10%	4,012	4,012	4,012	2,808
Lapse and surrenders rate	-10%	10,416	10,416	10,416	7,291
Discount rate	-1%	40,844	40,844	40,844	28,591

COMPANY			
Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on
gross	net liabilities	profit before	equity
liabilities	tax		
35,039	35,039	35,039	24,527
(2,192)	(2,192)	(2,192)	(1,534)
(99)	(99)	(99)	(69)
(25,170)	(25,170)	(25,170)	(17,619)
			-
(30,272)	(30,272)	(30,272)	(21,190)
2,259	2,259	2,259	1,581
136	136	136	95
9,668	9,668	9,668	6,768

COMPANY			
Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on	Increase/ (decrease) on
gross	net liabilities	profit before	equity
liabilities	tax		
30,381	30,381	30,381	21,267
(3,861)	(3,861)	(3,861)	(2,702)
(9,794)	(9,794)	(9,794)	(6,856)
(35,804)	(35,804)	(35,804)	(25,063)
			-
(26,237)	(26,237)	(26,237)	(18,366)
4,012	4,012	4,012	2,808
10,416	10,416	10,416	7,291
40,844	40,844	40,844	28,591

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.1.2 *Financial risk management*

Introduction and overview

The Group is exposed to a range of financial risks through its financial instruments, insurance assets and insurance liabilities. The key financial risk is that in the long term its investments proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of the financial risks are:

- (a) *Credit risk*
- (b) *Liquidity risk*
- (c) *Market risk*

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument or reinsurance contract will cause a financial loss for the other party by failing to discharge an obligation.

Mutual Benefits Life Assurance Group is exposed to risk relating to its loan and receivables, finance lease receivable, statutory deposits, bank balances, debt instruments at amortised cost, financial assets at FVPL, reinsurance receivables and trade receivables. Its receivables comprise trade receivables from customers, reinsurers and coinsurers recoverables and other receivables. There are no financial assets that are classified as past due and impaired whose terms have been negotiated.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

The Group's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the investments team of the Group. It is their responsibility to review and manage credit risk, including environmental risk for all of counterparties. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits. It is the Group's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions (trade receivables) will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. The contractual credit agreement is strictly in line with the regulator's "No Premium, No Cover" policy. Stringent measures have been placed by the regulator to guide against credit default. Credit risk exposure operates from the level of brokered transactions with little emphasis placed on direct business. The Group's credit risk exposure to brokered business is very low as the Group requires brokers to provide credit note which is due 30 days from receipt before incepting insurance cover on behalf of their clients. In addition, commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

The nature of the Group's exposure to credit risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.1.2 Financial risk management

(i) *The Group's internal rating process*

The Group's investment team prepares internal ratings for instruments held in which its counterparties are rated using internal grades (investment grade, non-investment grade (satisfactory), non-investment grade (unsatisfactory), past due but not impaired, and individually impaired). The ratings are determined incorporating both qualitative and quantitative information that builds on information from risk rating agencies, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour. These information sources are first used to determine whether an instrument has had a significant increase in credit risk. The Group's internal credit rating grades:

Internal rating grade	Internal rating description	Agusto & Co. rating (when applicable)	Basis for ECL Provision	Basis for Interest Income Calculation
1-2	Investment grade	Aaa	12 month ECL	Gross carrying amount
3	Investment grade	Aa	12 month ECL	Gross carrying amount
4	Investment grade	A	12 month ECL	Gross carrying amount
5	Non-investment grade (satisfactory)	Bbb	Lifetime ECL	Gross carrying amount
6-7	Non-investment grade (unsatisfactory)	Bb	Lifetime ECL	Amortized cost
8-9	Non-investment grade (unsatisfactory)	B	Lifetime ECL	Amortized cost
10	Past due but not impaired	C	Lifetime ECL	Amortized cost
11-12	Individually impaired	D	Lifetime ECL, credit impaired	None

(ii) *Maximum exposure to credit risk*

The maximum exposure is shown gross, before the effect of mitigation. The maximum risk exposure presented below does not include the exposure that arises in the future as a result of the changes in values. The credit risk analysis below is presented in line with how the Group manages the risk. The Group manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets.

Below is the analysis of the group's and company's maximum exposure to credit risk at the year end.

in thousands of Nigerian Naira	Group		Company	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Cash and cash equivalents	4,682,036	3,033,582	2,088,661	1,936,605
Loans and receivables	11,370,832	11,964,107	10,443,304	10,520,518
Debt instruments at amortised cost	18,124,564	14,890,141	18,124,564	14,890,141
Debt instruments at FVPL	4,291,374	487,230	4,291,374	487,230
Trade receivables	247,231	526,076	-	248,097
Reinsurance assets	2,325,338	1,943,804	1,962,401	1,511,892
Other receivables	705,129	810,846	482,589	440,045
Statutory deposit	200,000	200,000	200,000	200,000
Deposit for investment in equity shares	-	-	120,000	-
	41,946,504	33,855,786	37,712,893	30,234,528

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(ii) Industry concentration analysis

All credit risks are concentrated across many industries in Nigeria. The Company monitors concentration of credit risk by sector.

in thousands of Nigerian Naira

31 December 2019	Group					Company				
	Financial	Real estate	Oil & Gas	Other	Total	Financial	Real estate	Oil & Gas	Other	Total
	services		sector			services		sector		
Cash and cash equivalents	4,682,036	-	-	-	4,682,036	2,088,661	-	-	-	2,088,661
Loans and advances	-	-	10,070,981	1,299,851	11,370,832	-	221,340	10,070,981	150,983	10,443,304
Debt instruments at amortised cost	18,124,564	-	-	-	18,124,564	18,124,564	-	-	-	18,124,564
Debt instruments at FVPL	4,291,374	-	-	-	4,291,374	4,291,374	-	-	-	4,291,374
Trade receivables	247,231	-	-	-	247,231	-	-	-	-	-
Reinsurance assets	2,325,338	-	-	-	2,325,338	1,962,401	-	-	-	1,962,401
Other receivables	-	-	-	705,129	705,129	-	-	-	482,589	482,589
Finance lease receivables	-	-	-	-	-	-	-	-	-	-
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	120,000	-	-	-	120,000
	29,870,543	-	10,070,981	2,004,980	41,946,504	26,787,000	221,340	10,070,981	633,572	37,712,893

31 December 2018	Group					Company				
	Financial	Real estate	Oil & Gas	Other	Total	Financial	Real estate	Oil & Gas	Other	Total
	services		sector			services		sector		
Cash and cash equivalents	3,033,582	-	-	-	3,033,582	1,936,605	-	-	-	1,936,605
Loans and advances	-	-	10,148,345	1,815,762	11,964,107	-	319,427	10,148,345	52,746	10,520,518
Debt instruments at amortised cost	14,890,141	-	-	-	14,890,141	14,890,141	-	-	-	14,890,141
Debt instruments at FVPL	487,230	-	-	-	487,230	487,230	-	-	-	487,230
Trade receivables	526,076	-	-	-	526,076	248,097	-	-	-	248,097
Reinsurance assets	1,943,804	-	-	-	1,943,804	1,511,892	-	-	-	1,511,892
Other receivables	-	-	-	810,846	810,846	-	-	-	440,045	440,045
Finance lease receivables	-	-	-	-	-	-	-	-	-	-
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	-	-	-	-	-
	21,080,833	-	10,148,345	2,626,608	33,855,786	19,273,965	319,427	10,148,345	492,791	30,234,528

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(iii) Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

in thousands of Nigerian Naira

31 December 2019	Group					Company				
	Investment grade	Non investment grade satisfactory	Non investment grade un- satisfactory	Individually impaired	Total	Investment grade	Non investment grade satisfactory	Non investment grade un- satisfactory	Individually impaired	Total
Cash and cash equivalents	4,682,036	-	-	-	4,682,036	2,088,661	-	-	-	2,088,661
Loans and advances	11,370,832	-	-	-	11,370,832	10,443,304	-	-	-	10,443,304
Debt instruments at amortised cost	18,124,564	-	-	-	18,124,564	18,124,564	-	-	-	18,124,564
Debt instruments at FVPL	4,291,374	-	-	-	4,291,374	4,291,374	-	-	-	4,291,374
Trade receivables	247,231	-	-	-	247,231	-	-	-	-	-
Reinsurance assets	2,325,338	-	-	-	2,325,338	1,962,401	-	-	-	1,962,401
Other receivables	520,356	-	132,501	52,272	705,129	297,816	-	132,501	52,272	482,589
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	120,000	-	-	-	120,000
	41,761,731	-	132,501	52,272	41,946,504	37,528,120	-	132,501	52,272	37,712,893

in thousands of Nigerian Naira

31 December 2018	Group					Company				
	Investment grade	Non investment grade satisfactory	Non investment grade un- satisfactory	Individually impaired	Total	Investment grade	Non investment grade satisfactory	Non investment grade un- satisfactory	Individually impaired	Total
Cash and cash equivalents	3,033,582	-	-	-	3,033,582	1,936,605	-	-	-	1,936,605
Loans and advances	11,577,711	175,027	59,234	152,135	11,964,107	10,520,518	-	-	-	10,520,518
Debt instruments at amortised cost	14,890,141	-	-	-	14,890,141	14,890,141	-	-	-	14,890,141
Debt instruments at FVPL	487,230	-	-	-	487,230	487,230	-	-	-	487,230
Trade receivables	526,076	-	-	-	526,076	248,097	-	-	-	248,097
Reinsurance assets	1,943,804	-	-	-	1,943,804	1,511,892	-	-	-	1,511,892
Other receivables	558,397	-	200,177	52,272	810,846	286,332	-	101,441	52,272	440,045
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
	33,216,941	175,027	259,411	204,407	33,855,786	30,080,815	-	101,441	52,272	30,234,528

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(iv) *Credit collateral*

The Group holds collateral and other credit enhancement s against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Financial assets	Percentage of exposure that is subject to collateral				Principal type of collateral held
	Group		Company		
	2019	2018	2019	2018	
Loans to oil & gas sector	100%	100%	100%	100%	Oil & gas assets.
Loans to construction sector	100%	100%	100%	100%	Real estate properties, inventory.
Loans to policyholders	100%	100%	100%	100%	Cash deposits.
Staff loans	100%	100%	100%	100%	Real estate properties, vehicles, securities.
Finance lease	100%	100%	100%	100%	Underlying assets.

The loan-to-value (LTV) ratio of the financial assets above is not more than 70%. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

(v) (a) *Significant increase in credit risk, default and cure*

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Group also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Group considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

(v) (b) *Expected credit loss*

The Group assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

(vi) *Impairment losses on financial investments subject to impairment assessment*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 3.1.2 (a) (i).

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) (a) Cash & short-term deposits in banks

Group

in thousands of Nigerian Naira

	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Investment grade	4,682,036	-	-	4,682,036	3,033,582	-	-	3,033,582
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	4,682,036	-	-	4,682,036	3,033,582	-	-	3,033,582
Expected credit loss	(10,031)	-	-	(10,031)	(13,435)	-	-	(13,435)
Total Net Amount	4,672,005	-	-	4,672,005	3,020,147	-	-	3,020,147

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>in thousands of Nigerian Naira</i>								
Gross carrying amount as at 1 January 2019	3,033,582	-	-	3,033,582	5,038,826	-	-	5,038,826
New assets originated or purchased	29,563,164	-	-	29,563,164	19,580	-	-	19,580
Assets derecognised or repaid (excluding write offs)	(28,345,010)	-	-	(28,345,010)	(2,024,824)	-	-	(2,024,824)
Accrued interest capitalised	87,579	-	-	87,579	-	-	-	-
	1,305,734	-	-	1,305,734	(2,005,244)	-	-	(2,005,244)
At 31 December 2019	4,682,036	-	-	4,682,036	3,033,582	-	-	3,033,582

	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>in thousands of Nigerian Naira</i>								
ECL allowance as at 1 January 2019	13,435	-	-	13,435	36,182	-	-	36,182
New assets originated or purchased	10,031	-	-	10,031	13,435	-	-	13,435
Assets derecognised or repaid (excluding write offs)	(13,435)	-	-	(13,435)	(36,182)	-	-	(36,182)
	(3,404)	-	-	(3,404)	(22,747)	-	-	(22,747)
At 31 December 2019	10,031	-	-	10,031	13,435	-	-	13,435

Company

in thousands of Nigerian Naira

	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Investment grade	2,088,661	-	-	2,088,661	1,936,605	-	-	1,936,605
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	2,088,661	-	-	2,088,661	1,936,605	-	-	1,936,605
Expected credit loss	(7,031)	-	-	(7,031)	(10,435)	-	-	(10,435)
Total Net Amount	2,081,630	-	-	2,081,630	1,926,170	-	-	1,926,170

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) (a) Cash & short-term deposits in banks

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

<i>in thousands of Nigerian Naira</i>	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	1,936,605	-	-	1,936,605	4,107,765	-	-	4,107,765
New assets originated or purchased	27,317,701	-	-	27,317,701	1,945,622	-	-	1,945,622
Assets derecognised or repaid (excluding write offs)	(27,592,156)	-	-	(27,592,156)	(4,116,765)	-	-	(4,116,765)
Accrued interest capitalised	83,792	-	-	83,792	-	-	-	-
	(190,664)	-	-	(190,664)	(2,171,143)	-	-	(2,171,143)
At 31 December 2019	2,088,661	-	-	2,088,661	1,936,605	-	-	1,936,605

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	10,435	-	-	10,435	36,182	-	-	36,182
New assets originated or purchased	7,031	-	-	7,031	10,435	-	-	10,435
Assets derecognised or repaid (excluding write offs)	(10,435)	-	-	(10,435)	(36,182)	-	-	(36,182)
	(3,404)	-	-	(3,404)	(25,747)	-	-	(25,747)
At 31 December 2019	7,031	-	-	7,031	10,435	-	-	10,435

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) (b) Loans and receivables

Group <i>in thousands of Nigerian Naira</i>	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Investment grade	11,370,832	-	-	11,370,832	11,577,711	-	-	11,577,711
Non-investment grade (satisfactory)	-	-	-	-	59,411	115,616	-	175,027
Non-investment grade (unsatisfactory)	-	-	-	-	-	59,234	-	59,234
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	152,135	152,135
Total Gross Amount	11,370,832	-	-	11,370,832	11,637,122	174,850	152,135	11,964,107
Expected credit loss	(466,680)	-	-	(466,680)	(218,768)	(58,584)	(134,014)	(411,366)
Total Net Amount	10,904,152	-	-	10,904,152	11,418,354	116,266	18,121	11,552,741

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	11,637,122	174,850	152,135	11,964,107	11,461,555	168,271	102,158	11,731,984
New assets originated or purchased	2,569,182	-	-	2,569,182	782,463	122,377	32,846	937,686
Assets derecognised or repaid (excluding write offs)	(2,749,071)	-	-	(2,749,071)	(574,587)	(86,085)	(42,892)	(703,564)
Transfers to Stage 1	-	-	-	-	21,003	(19,684)	(1,319)	-
Transfers to Stage 2	(59,411)	59,411	-	-	(47,525)	67,641	(20,115)	1
Transfers to Stage 3	-	-	-	-	(5,787)	(77,670)	83,457	-
Amounts written off	(26,990)	(234,261)	(152,135)	(413,386)	-	-	(2,000)	(2,000)
	(266,290)	(174,850)	(152,135)	(593,275)	175,567	6,579	49,977	232,123
At 31 December 2019	11,370,832	-	-	11,370,832	11,637,122	174,850	152,135	11,964,107

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	218,768	58,584	134,014	411,366	161,001	56,374	93,958	311,333
New assets originated or purchased	567,790	32,929	-	600,719	35,058	41,003	27,704	103,765
Assets derecognised or repaid (excluding write offs)	(253,859)	(41,717)	-	(295,576)	(8,071)	(28,840)	(39,449)	(76,360)
Transfers to Stage 1	-	-	-	-	7,808	(6,595)	(1,213)	-
Transfers to Stage 2	-	-	-	-	(668)	19,168	(18,500)	-
Transfers to Stage 3	-	-	-	-	(81)	(26,021)	26,102	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-	(7,410)	3,495	47,412	43,497
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	31,131	-	-	31,131
Amounts written off	(66,019)	(49,796)	(134,014)	(249,829)	-	-	(2,000)	(2,000)
	247,912	(58,584)	(134,014)	55,314	57,767	2,210	40,056	100,033
At 31 December 2019	466,680	-	-	466,680	218,768	58,584	134,014	411,366

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) (b) Loans and receivables

Company

in thousands of Nigerian Naira

	31-Dec-19				31-Dec-18			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	10,443,304	-	-	10,443,304	10,520,518	-	-	10,520,518
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	10,443,304	-	-	10,443,304	10,520,518	-	-	10,520,518
Expected credit loss	(401,190)	-	-	(401,190)	(141,537)	-	-	(141,537)
Total Net Amount	10,042,114	-	-	10,042,114	10,378,981	-	-	10,378,981

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	10,520,518	-	-	10,520,518	10,854,661	-	-	10,854,661
New assets originated or purchased	2,232,636	-	-	2,232,636	33,000	-	-	33,000
Assets derecognised or repaid (excluding write offs)	(2,309,850)	-	-	(2,309,850)	(367,143)	-	-	(367,143)
Accrued interest capitalised	-	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
	(77,214)	-	-	(77,214)	(334,143)	-	-	(334,143)
At 31 December 2019	10,443,304	-	-	10,443,304	10,520,518	-	-	10,520,518

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	141,537	-	-	141,537	123,418	-	-	123,418
New assets originated or purchased	263,683	-	-	263,683	31,212	-	-	31,212
Assets derecognised or repaid (excluding write offs)	(4,030)	-	-	(4,030)	(13,093)	-	-	(13,093)
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-	-	-	-
	259,653	-	-	259,653	18,119	-	-	18,119
At 31 December 2019	401,190	-	-	401,190	141,537	-	-	141,537

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) c Debt instruments at amortised cost

Group

in thousands of Nigerian Naira

	31-Dec-19				31-Dec-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Investment grade	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141
Expected credit loss	(4,181)	-	-	(4,181)	(4,835)	-	-	(4,835)
Total Net Amount	18,120,383	-	-	18,120,383	14,885,306	-	-	14,885,306

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	14,890,141	-	-	14,890,141	11,781,602	-	-	11,781,602
New assets originated or purchased	17,570,787	-	-	17,570,787	14,288,516	-	-	14,288,516
Assets derecognised or matured (excluding write offs)	(16,225,019)	-	-	(16,225,019)	(11,781,602)	-	-	(11,781,602)
Accrued interest capitalised	1,888,655	-	-	1,888,655	601,625	-	-	601,625
	3,234,423	-	-	3,234,423	3,108,539	-	-	3,108,539
At 31 December 2019	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	4,835	-	-	4,835	3,967	-	-	3,967
New assets originated or purchased	4,181	-	-	4,181	4,835	-	-	4,835
Assets derecognised or matured (excluding write offs)	(4,835)	-	-	(4,835)	(3,967)	-	-	(3,967)
	(654)	-	-	(654)	868	-	-	868
At 31 December 2019	4,181	-	-	4,181	4,835	-	-	4,835

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(vi) c Debt instruments at amortised cost - continued

Company

in thousands of Nigerian Naira

	31-Dec-19				31-Dec-18			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141
Expected credit loss	(4,181)	-	-	(4,181)	(4,835)	-	-	(4,835)
Total Net Amount	18,120,383	-	-	18,120,383	14,885,306	-	-	14,885,306

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	14,890,141	-	-	14,890,141	11,781,602	-	-	11,781,602
New assets originated or purchased	17,570,787	-	-	17,570,787	14,288,516	-	-	14,288,516
Assets derecognised or matured (excluding write offs)	(16,225,019)	-	-	(16,225,019)	(11,781,602)	-	-	(11,781,602)
Accrued interest capitalised	1,888,655	-	-	1,888,655	601,625	-	-	601,625
	3,234,423	-	-	3,234,423	3,108,539	-	-	3,108,539
At 31 December 2019	18,124,564	-	-	18,124,564	14,890,141	-	-	14,890,141

<i>in thousands of Nigerian Naira</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	4,835	-	-	4,835	3,967	-	-	3,967
New assets originated or purchased	4,181	-	-	4,181	4,835	-	-	4,835
Assets derecognised or matured (excluding write offs)	(4,835)	-	-	(4,835)	(3,967)	-	-	(3,967)
	(654)	-	-	(654)	868	-	-	868
At 31 December 2019	4,181	-	-	4,181	4,835	-	-	4,835

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group mitigates this risk by monitoring cash activities and expected outflows. The Group's current liabilities arise as claims are made and clients request for termination of their investment-linked products. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income.

The Group's investment policy requires a reasonable percentage of the Group's life portfolio to be held in cash and cash equivalents; this highlights availability of liquid marketable securities sufficient to meet its liabilities as at when due. Cash and cash equivalents include treasury bills and term deposits with an original maturity of less than 90 days.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow.

Below is a summary of undiscounted contractual cashflows of financial assets matched with financial liabilities.

Group 31 December 2019 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	4,674,079	4,837,672					4,837,672
Loans and advances	10,904,152	1,367,336	11,216,734	48,116	-	-	12,632,185
Debt instruments at amortised cost	18,120,383	100,000	19,370,500	-	-	-	19,470,500
Debt instruments at fair value through profit or loss	4,291,374	243,304	243,304	2,433,038	8,384,468	-	11,304,113
Trade receivables	247,231	247,231	-	-	-	-	247,231
Reinsurance assets	2,325,338	2,325,338	-	-	-	-	2,325,338
Other receivables	705,129	705,129	-	-	-	-	705,129
Total financial assets	41,267,686	9,826,009	30,830,538	2,481,154	8,384,468	-	51,522,168
Investment contract liabilities	26,266,129	6,925,948	6,925,948	13,779,265	530,404	-	28,161,564
Insurance contract liabilities*	6,664,704	3,651,239	1,217,080	-	-	1,796,385	6,664,704
Trade payables*	1,166,426	1,166,426	-	-	-	-	1,166,426
Other liabilities*	352,430	352,430	-	-	-	-	352,430
Deposit liabilities	389,640	389,640	-	-	-	-	389,640
Total financial liabilities	34,839,329	12,485,683	8,143,027	13,779,265	530,404	1,796,385	36,734,764
Total liquidity gap	6,428,357	(2,659,674)	22,687,510	(11,298,111)	7,854,064	(1,796,385)	14,787,404

*These balances are adjusted for non-financial items such as unearned premium, deferred commission, WHT and VAT payable etc.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(b) Liquidity risk - continued

Group 31 December 2018 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	3,030,386	3,081,533	-	-	-	-	3,081,533
Loans and advances	11,552,741	717,766	13,098,747	53,801	-	-	13,870,314
Debt instruments at amortised cost	14,885,306	3,150,000	13,075,000	-	-	-	16,225,000
Debt instruments at fair value through profit or loss	487,230	33,750	33,750	567,500	-	-	635,000
Assets held for sale	-	-	-	-	-	-	-
Trade receivables	526,076	526,076	-	-	-	-	526,076
Reinsurance assets	1,943,804	1,943,804	-	-	-	-	1,943,804
Other receivables	810,846	810,846	-	-	-	-	810,846
Finance lease receivables	-	-	-	-	-	-	-
Statutory deposit	-	-	-	-	-	-	-
Total financial assets	33,236,389	10,263,775	26,207,497	621,301	-	-	37,092,573
Investment contract liabilities	25,276,261	6,664,936	6,664,936	13,259,978	510,415	-	27,100,264
Insurance contract liabilities*	6,258,029	3,884,586	1,294,862	-	-	1,078,581	6,258,029
Trade payables*	901,854	901,854	-	-	-	-	901,854
Other liabilities*	168,181	168,181	-	-	-	-	168,181
Deposit liabilities	512,153	550,564	-	-	-	-	550,564
Total financial liabilities	33,116,478	12,170,121	7,959,798	13,259,978	510,415	1,078,581	34,978,893
Total liquidity gap	119,911	(1,906,346)	18,247,700	(12,638,677)	(510,415)	(1,078,581)	2,113,681

*These balances are adjusted for non-financial items such as unearned premium, deferred commission, WHT and VAT payable etc.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(b) Liquidity risk - continued

Company 31 December 2019 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	2,081,656	2,154,514	-	-	-	-	2,154,514
Loans and advances	10,042,114	825,492	10,870,704	25,526	-	-	11,721,721
Debt instruments at amortised cost	18,120,383	100,000	19,370,500	-	-	-	19,470,500
Debt instruments at fair value through profit or loss	4,291,374	243,304	243,304	2,433,038	8,384,468	-	11,304,113
Reinsurance assets	1,962,401	1,962,401	-	-	-	-	1,962,401
Other receivables	482,589	482,589	-	-	-	-	482,589
Total financial assets	36,980,517	5,768,299	30,484,508	2,458,564	8,384,468	-	47,095,838
Investment contract liabilities	26,263,838	6,925,344	6,925,344	13,778,063	530,357	-	28,159,108
Insurance contract liabilities*	6,199,781	3,302,547	1,100,849	-	-	1,796,385	6,199,781
Trade payables*	904,175	904,175	-	-	-	-	904,175
Other liabilities*	323,400	323,400	-	-	-	-	323,400
Deposit liabilities	-	-	-	-	-	-	-
Total financial liabilities	33,691,194	11,455,466	8,026,193	13,778,063	530,357	1,796,385	35,586,464
Total liquidity gap	3,289,323	(5,687,166)	22,458,315	(11,319,500)	7,854,110	(1,796,385)	11,509,374
Company 31 December 2018 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	1,926,187	1,958,697	-	-	-	-	1,958,697
Loans and advances	10,378,981	14,279	12,714,688	28,559	-	-	12,757,526
Debt instruments at amortised cost	14,885,306	3,150,000	13,075,000	-	-	-	16,225,000
Financial assets at FVPL	487,230	33,750	33,750	567,500	-	-	635,000
Trade receivables	248,097	248,097	-	-	-	-	248,097
Reinsurance assets	1,511,892	1,511,892	-	-	-	-	1,511,892
Other receivables	440,045	440,045	-	-	-	-	440,045
Total financial assets	29,877,738	7,356,761	25,823,438	596,059	-	-	33,776,257
Investment contract liabilities	25,261,335	6,661,000	6,661,000	13,252,148	510,113	-	27,084,261
Insurance contract liabilities*	5,475,528	3,297,710	1,099,237	-	-	1,078,581	5,475,528
Trade payables*	680,245	691,521	-	-	-	-	691,521
Other liabilities*	153,218	153,218	-	-	-	-	153,218
Deposit liabilities	-	-	-	-	-	-	-
Total financial liabilities	31,570,326	10,803,449	7,760,237	13,252,148	510,113	1,078,581	33,404,528
Total liquidity gap	(1,692,588)	(3,446,688)	18,063,201	(12,656,089)	(510,113)	(1,078,581)	371,729

*These balances are adjusted for non-financial items such as unearned premium, deferred commission, WHT and VAT payable etc.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

i Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Naira and its exposure to foreign exchange risk arise primarily with respect to the US dollar.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

Mutual Benefits Life Assurance Limited is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Group exposure to foreign currency risk through its investment in short term placements, foreign domiciliary bank balance and its net investment in foreign subsidiaries.

Group		31 December 2019				31 December 2018				
in thousands of Nigerian Naira		USD	Pound Sterling	CFA Franc		USD	Pound Sterling	CFA Franc		
Cash and cash equivalents		440,641	92,153	-		386,603	7,527	-		
Net investment in foreign subsidiaries		1,540,973	-	1,871,852		1,519,986	-	2,019,615		

Company		31 December 2019				31 December 2018				
in thousands of Nigerian Naira		USD	Pound Sterling	CFA Franc		USD	Pound Sterling	CFA Franc		
Cash and cash equivalents		440,641	92,153	-		386,603	7,527	-		

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period.

in thousands of Nigerian Naira

		GROUP			
		31 DECEMBER 2019		31 DECEMBER 2018	
	Change in variables	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
USD	+10%	198,161	138,713	190,659	133,461
Pound Sterling	+10%	9,215	6,451	753	527
CFA Franc	+10%	187,185	131,030	201,962	141,373
USD	-10%	(198,161)	(138,713)	(190,659)	(133,461)
Pound Sterling	-10%	(9,215)	(6,451)	(753)	(527)
CFA Franc	-10%	(187,185)	(131,030)	(201,962)	(141,373)

		COMPANY			
		31 DECEMBER 2019		31 DECEMBER 2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity	
	44,064	30,845	38,660	27,062	
	9,215	6,451	753	527	
	-	-	-	-	
	(44,064)	(30,845)	(38,660)	(27,062)	
	(9,215)	(6,451)	(753)	(527)	
	-	-	-	-	

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

(c) Market risk

ii *Interest-rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest rate instruments expose the Group to fair value interest risk. Group does not expose to cash flow interest risk and the group do not have floating interest bearing financial instruments.

The Group has no significant concentration of interest rate risk.

3.2 Capital Management

The National Insurance Commission (NAICOM), sets and monitors capital requirements for Insurance Companies. The individual subsidiaries are directly supervised by other regulators, i.e, Mutual Benefits Microfinance Bank Limited is regulated by the Central Bank of Nigeria, Mutual Benefits Niger Limited by Conference Interafricaine Des Marches D's assurance (CIMA) and Mutual Benefits Liberia Limited are being regulated by Central Bank of Liberia respectively.

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have complied with all externally imposed capital requirements.

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for

Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- 1 To maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
- 2 To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- 3 To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- 4 To align the profile of assets and liabilities taking account of risks inherent in the business;
- 5 To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
- 6 To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.2 Capital Management - Continued

Capital management objectives, policies and approach

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

<i>in thousands of Nigerian Naira</i>	2019	2018
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	10,071,714	5,963,101
Regulatory adjustments	(1,999,704)	(1,740,953)
Regulatory available capital resources	8,072,010	4,222,148
Minimum capital based required by regulator	2,000,000	2,000,000
Excess in solvency margin	6,072,010	2,222,148

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.2 Capital Management - Continued

The Solvency Margin for the parent as at 31 December 2019 is as follows:

<i>in thousands of Nigerian Naira</i>	2019	2018
Admissible assets		
Cash and cash equivalents	2,081,656	1,926,187
Loans and receivables	9,820,774	10,059,554
Equity instruments at fair value through OCI	216,059	604,740
Assets held for sale	-	5,550,000
Trade receivables	-	248,097
Debt instruments at amortised cost	18,120,383	14,885,306
Debt instruments at fair value through profit or loss	4,291,374	487,230
Reinsurance assets	2,127,927	1,635,300
Other receivables and prepayments	-	-
Deferred acquisition costs	171,230	104,388
Finance lease receivables	-	-
Investment properties	6,875,000	1,420,000
Investments in subsidiaries	175,038	175,038
Deposit for shares	-	-
Intangible assets	22	787
Property, plant and equipment	127,465	218,059
Statutory deposit	200,000	200,000
Total	44,206,928	37,514,686
Admissible liabilities		
Insurance contract liabilities	8,121,751	6,707,244
Investment contract liabilities	26,263,838	25,261,335
Trade payables	925,363	691,521
Other liabilities	655,075	384,271
Current income tax liabilities	168,891	248,167
Total	36,134,918	33,292,538
 Solvency margin	 8,072,010	 4,222,148
 The higher of 15% of Net premium income and the Minimum Share capital required	 2,000,000	 2,000,000
 Solvency ratio (%)	 4.04	 2.11

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.3 Asset and Liability Management

The Company is exposed to a financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that 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 liquidity risk and credit risk.

The Company manages these positions within an ALM framework that has been developed to achieve longterm investment returns in excess of its obligations under insurance and investment contracts. Within the ALM framework, the Group periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Group's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilized in the Company's ALM framework.

The table below hypothecates the total assets of the Company into assets that represents insurance funds, shareholders' funds and other funds such as investment contracts:

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.3 Asset and Liability Management

<i>in thousands of Nigerian Naira</i>	Carrying amount	Insurance Contract Group & Life	Contract Annuity	Investment Contract	Assets cover	Shareholders fund	31 Dec 2019 Total
ASSETS							
Cash and cash equivalents	2,081,656	536,828	292,230	900,750	1,729,808	351,848	2,081,656
Equity instruments at fair value through OCI	216,059	-	-	-	-	216,059	216,059
Loans and receivables	10,042,114	-	-	9,820,774	9,820,774	221,340	10,042,114
Debt instruments at amortised cost	18,120,383	6,568,434	99,944	9,536,861	16,205,239	1,915,144	18,120,383
Debt instruments at fair value through profit or loss	4,291,374	-	-	3,766,086	3,766,086	525,288	4,291,374
Reinsurance assets	2,127,927	2,127,927	-	-	2,127,927	-	2,127,927
Other receivables	751,979	-	-	-	-	751,979	751,979
Deferred acquisition costs	171,230	171,230	-	-	171,230	-	171,230
Investment properties	6,875,000	-	-	6,875,000	6,875,000	-	6,875,000
Investments in subsidiaries	896,981	-	-	-	-	896,981	896,981
Intangible assets	22	-	-	-	-	22	22
Property, plant and equipment	127,465	-	-	-	-	127,465	127,465
Deposit for investment in equity shares	120,000	-	-	-	-	120,000	120,000
Statutory deposit	200,000	-	-	-	-	200,000	200,000
Deferred tax assets	184,442	-	-	-	-	184,442	184,442
Total assets	46,206,632	9,404,418	392,174	30,899,471	40,696,063	5,510,569	46,206,632
LIABILITIES							
Insurance contract liabilities	8,121,751	7,797,051	324,700	-	8,121,751	-	8,121,751
Investment contract liabilities	26,263,838	-	-	26,263,838	26,263,838	-	26,263,838
Trade payables	925,363	-	-	-	-	925,363	925,363
Other liabilities	655,075	-	-	-	-	655,075	655,075
Current income tax liabilities	168,891	-	-	-	-	168,891	168,891
Total liabilities	36,134,918	7,797,051	324,700	26,263,838	34,385,589	1,749,329	36,134,918
GAP	10,071,714	1,607,367	67,474	4,635,633	6,310,474	3,761,240	10,071,714

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.3 Asset and Liability Management

<i>in thousands of Nigerian Naira</i>	Carrying amount	Insurance Contract Group & Life	Contract Annuity	Investment Contract	Assets cover	Shareholders fund	31 Dec 2018 Total
ASSETS							
Cash and cash equivalents	1,926,187	630,468	350,017	715,080	1,695,565	230,622	1,926,187
Equity instruments at fair value through OCI	604,740	-	-	-	-	604,740	604,740
Loans and receivables	10,378,981	-	-	10,059,554	10,059,554	319,427	10,378,981
Debt instruments at amortised cost	14,885,306	5,243,986	147,649	9,159,254	14,550,889	334,417	14,885,306
Debt instruments at fair value through profit or loss	487,230	-	-	487,230	487,230	-	487,230
Assets held for sale	5,550,000	-	-	5,550,000	5,550,000	-	5,550,000
Trade receivables	248,097	248,097	-	-	248,097	-	248,097
Reinsurance assets	1,635,300	1,635,300	-	-	1,635,300	-	1,635,300
Other receivables	672,714	-	-	-	-	672,714	672,714
Deferred acquisition costs	104,388	-	-	-	-	104,388	104,388
Investment properties	1,420,000	-	-	1,420,000	1,420,000	-	1,420,000
Investments in subsidiaries	896,981	-	-	-	-	896,981	896,981
Intangible assets	787	-	-	-	-	787	787
Property, plant and equipment	218,059	-	-	-	-	218,059	218,059
Deferred tax asset	26,869	-	-	-	-	26,869	26,869
Statutory deposit	200,000	-	-	-	-	200,000	200,000
Total assets	39,255,639	7,757,851	497,666	27,391,118	35,646,635	3,609,004	39,255,639
LIABILITIES							
Insurance contract liabilities	6,707,244	6,288,136	419,108	-	6,707,244	-	6,707,244
Investment contract liabilities	25,261,335	-	-	25,261,335	25,261,335	-	25,261,335
Trade payables	691,521	-	-	-	-	691,521	691,521
Other liabilities	384,271	-	-	-	-	384,271	384,271
Current income tax liabilities	248,167	-	-	-	-	248,167	248,167
Total liabilities	33,292,538	6,288,136	419,108	25,261,335	31,968,579	1,323,959	33,292,538
GAP	5,963,101	1,469,715	78,558	2,129,783	3,678,056	2,285,045	5,963,101

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.4 Measurement of financial assets and liabilities

Accounting classification measurement basis and fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

31 December 2019 <i>in thousands of Nigerian Naira</i>	Note	Group		Company	
		Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances	20.2	10,904,152	10,904,152	10,042,114	10,042,114
Debt Instruments at amortised cost	20.3	18,120,383	17,991,369	18,120,383	17,991,369
		29,024,535	28,895,521	28,162,497	28,033,483

31 December 2018 <i>in thousands of Nigerian Naira</i>	Note	Group		Company	
		Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances	20.2	11,552,741	11,552,741	10,378,981	10,378,981
Debt Instruments at amortised cost	20.3	14,885,306	14,726,419	14,885,306	14,726,419
		26,438,047	26,279,160	25,264,287	25,105,400

3.5 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed under note 2.3.11.

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the group determines fair values using other valuation techniques.

For financial instruments that trade infrequently, and had little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risk affecting the specific instrument.

Valuation models

The group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange equity investments classified as trading securities.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.5 Fair value hierarchy - Continued

Financial instruments in level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Financial instruments in level 3

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2019 <i>in thousands of Nigerian Naira</i>	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity instruments at fair value through OCI	-	-	288,125	288,125	-	-	216,059	216,059
Debt instruments at fair value through profit or loss		4,291,374		4,291,374		4,291,374		4,291,374
	-	4,291,374	288,125	4,579,499	-	4,291,374	216,059	4,507,433
31 December 2018 <i>in thousands of Nigerian Naira</i>	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity instruments at fair value through OCI	-	-	676,806	676,806	-	-	604,740	604,740
Debt instruments at fair value through profit or loss		487,230		487,230		487,230		487,230
	-	487,230	676,806	1,164,036	-	487,230	604,740	1,091,970

Reconciliation of Level 3 item (equity instruments at FVOCI)

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
At 1 January	676,806	635,197	604,740	569,697
Unrealised gains/(losses) in OCI	(388,681)	41,609	(388,681)	35,043
	288,125	676,806	216,059	604,740

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.5 Fair value hierarchy - Continued

Financial instruments not measured at fair value

The following table sets out the carrying amount of financial instruments not measured at fair value and the analysis per level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2019 <i>in thousands of Nigerian Naira</i>	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances	-	-	10,904,152	10,904,152	-	-	10,042,114	10,042,114
Debt Instruments at amortised cost		17,991,369	-	17,991,369		17,991,369	-	17,991,369
	-	17,991,369	10,904,152	28,895,521	-	17,991,369	10,042,114	28,033,483

31 December 2018 <i>in thousands of Nigerian Naira</i>	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances	-	-	11,552,741	11,552,741	-	-	10,378,981	10,378,981
Debt Instruments at amortised cost		14,726,419	-	14,726,419		14,726,419	-	14,726,419
	-	14,726,419	11,552,741	26,279,160	-	14,726,419	10,378,981	25,105,400

Fair value of financial assets and liabilities

Below are the methodologies and assumptions used to determine fair values for those financial instruments in the financial statements:

Assets and liabilities for which fair value approximates carrying value

The management assessed that cash and cash equivalents, trade receivables, reinsurance receivable, other receivables, trade payables, other liabilities and deposit liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Loans and receivables

The fair values of loans and receivables are based on cash flows discounted using a rate based on the market interest rate of borrowings. The discount rate equals the prime lending rate as set by the Central Bank of Nigeria at the reporting dates. The fair values are within Level 3 of the fair value hierarchy.

Debt instruments at amortised cost

The fair values of debt instruments at amortised cost are based on cash flows discounted using a rate based on the market yield of the instruments. The fair values are within Level 2 of the fair value hierarchy.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.5 Fair value hierarchy - Continued

Non financial asset measured at fair value

Investment property is a recurring fair value measurement valued using the market approach method of valuation. The valuation of the properties is based on the price for which comparable land and properties are being exchanged and/or are being marketed for sale. Therefore, the market-approach Method of Valuation was used. See Note 28 for the details of the description of valuation techniques used and key inputs to valuation on investment properties.

<i>in thousands of Nigerian Naira</i>		Group				Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment properties	31 Dec 2019	-	-	6,875,000	6,875,000	-	-	6,875,000	6,875,000
Investment properties	31 Dec 2018	-	-	1,420,000	1,420,000	-	-	1,420,000	1,420,000
Assets held for sale	31 Dec 2018	-	-	5,550,000	5,550,000	-	-	5,550,000	5,550,000

During the reporting year ended 31 December 2019, there were no transfers between level 1 and level 2 and in and out of level 3.

3.6 Segment information

The Group is organized into three operating segments. These segments distribute their products through various forms of brokers, agencies and direct marketing programs. Management identifies its reportable operating segments by product line consistent with the reports used by the Management Investment and Underwriting Committee. These segments and their respective operations are as follows:

Assurance business: This segment covers the protection of customers' assets (Particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers accident. All contracts in this segment are short term in nature. Revenue in this segment is derived primarily from insurance premium, investment income, net realised gains on financial assets, and net fair value gains on financial assets at fair value through profit or loss and the protection of the Group's customers against the risk of premature death, disability, critical illness and other accidents. Revenue from this segment is derived primarily from insurance premium, investment income, net realized gains on financial assets and net fair value gains on financial assets held for trading.

General business: This segment covers the protection of customers' assets (Particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers accident. All contracts in this segment are short term in nature. Revenue in this segment is derived primarily from insurance premium, investment income, net realised gains on financial assets, and net fair value gains on financial assets at fair value through profit or loss.

Real Estate: The Group undertakes real estate development project with the aim of outright sale or lease of the properties to meet the needs of individual and corporate bodies. The Group offers various products in real estate to meet client needs while promoting value adding business relationships and utilizes a combination of debt and equity finance to provide funds for projects. Revenue from this segment is derived primarily from property sale, fee income and investment income.

Microfinance Banking: The Group undertakes provision of retails and microfinance banking services at the community level. Revenue from this segment is derived primarily interest on micro loans and advances, SME loans, overdraft, fees and commission and investment income.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2019 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
Cash and cash equivalents	2,081,656	1,826,979	355,240	657	412,546	(2,999)	4,674,079
Investment securities:							
Equity instruments at fair value through OCI	216,059	-	111,500	-	-	(39,434)	288,125
Loans and receivables	10,042,114	-	888,117	-	195,261	(221,340)	10,904,152
Debt instruments at amortised cost	18,120,383	-	-	-	-	-	18,120,383
Debt instruments at fair value through profit or loss	4,291,374	-	-	-	-	-	4,291,374
Trade receivables	-	156,671	90,560	-	-	-	247,231
Reinsurance assets	2,127,927	363,714	(777)	-	-	(1)	2,490,864
Other receivables	751,979	46,105	151,583	46,977	11,793	(23,179)	985,258
Deferred acquisition costs	171,230	-	-	-	-	-	171,230
Inventories	-	-	-	436,156	-	-	436,156
Investment properties	6,875,000	-	-	-	-	-	6,875,000
Investments in subsidiaries	896,981	-	-	-	-	(896,981)	-
Intangible assets	22	22,208	-	-	3,902	1	26,133
Property, plant and equipments	127,465	485,420	392,557	0	22,722	-	1,028,165
Statutory deposit	200,000	-	-	-	-	-	200,000
Deposit for shares	120,000	-	-	-	-	(120,000)	-
Deferred tax assets	184,442	-	-	-	-	50,657	235,099
Total assets	46,206,632	2,901,097	1,988,781	483,790	646,225	(1,253,276)	50,973,249

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2019 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
LIABILITIES							
Insurance contract liabilities	8,121,751	633,150	317,395	-	-	1	9,072,297
Investment contract liabilities	26,263,838	-	2,291	-	-	-	26,266,129
Trade payables	925,363	260,315	1,936	-	-	-	1,187,614
Other liabilities	655,075	135,780	109,746	373,326	286,868	(368,540)	1,192,255
Borrowings	-	-	-	-	-	389,640	389,640
Deposit liabilities	-	-	-	-	389,640	(389,640)	-
Current income tax liabilities	168,891	-	16,439	49,769	16,097	-	251,196
Deferred tax liabilities	-	-	-	30,543	3,424	302,068	336,035
Total liabilities	36,134,918	1,029,245	447,808	453,638	696,029	(66,471)	38,695,166
EQUITY							
Share capital	330,000	1,295,010	488,421	20,000	264,867	(2,068,298)	330,000
Share premium	5,670,000	-	-	-	-	-	5,670,000
Foreign currency translation reserve	-	179,007	874,068	-	-	(114,254)	938,821
Revaluation reserve	-	139,140	74,003	-	-	(32,407)	180,736
Fair value reserve	(500,413)	-	-	-	-	(37,134)	(537,547)
Contingency reserve	715,529	-	-	-	-	-	715,529
Retained earnings/ (accumulated losses)	3,856,598	248,874	102,080	10,153	(329,231)	(8,776)	3,879,697
Shareholders' fund	10,071,714	1,862,031	1,538,572	30,153	(64,364)	(2,260,869)	11,177,237
Owners of the parent	10,071,714	1,862,031	1,538,572	30,153	(64,364)	(2,260,869)	11,177,237
Non-controlling interests in equity	-	9,821	2,401	-	14,560	1,074,066	1,100,847
Total equity	10,071,714	1,871,852	1,540,973	30,153	(49,804)	(1,186,803)	12,278,084
Total liabilities and equity	46,206,632	2,901,097	1,988,781	483,790	646,225	(1,253,274)	50,973,250

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments for the year ended 31 December 2019 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Gross premium written	8,488,202	1,259,059	583,937	-	-	(1)	10,331,198
Gross premiums income	7,797,948	1,322,481	463,067	-	-	(1)	9,583,495
Premiums ceded to reinsurers	(753,189)	(98,701)	(22,085)	-	-	-	(873,975)
Net premiums income	7,044,759	1,223,780	440,982	-	-	(1)	8,709,520
Fee and commission income	131,570	2,987	-	-	-	1	134,558
Net underwriting income	7,176,329	1,226,767	440,982	-	-	-	8,844,078
Net benefits and claims	3,176,645	469,755	53,235	-	-	-	3,699,635
Increase in individual life fund	354,439	-	-	-	-	-	354,439
Increase in annuity reserve	(94,408)	-	-	-	-	-	(94,408)
Underwriting expenses	1,871,828	156,651	40,320	-	-	-	2,068,800
Net underwriting expenses	5,308,504	626,406	93,556	-	-	-	6,028,466
Underwriting profit	1,867,825	600,361	347,426	-	-	-	2,815,612
Profit on investment contracts	1,068,929	-	-	-	-	-	1,068,929
Investment income	1,106,055	53,036	46,697	-	-	1	1,205,789
Fair value loss on investment properties	529,450	-	-	-	-	-	529,450
Other income	11,015	19,767	-	6,008	18,506	(2)	55,294
Impairment charges	(258,780)	-	(23,873)	-	(45,490)	12,338	(315,804)
Employees benefit expenses	(792,606)	(131,644)	(118,341)	(1,250)	(141,225)	1	(1,185,065)
Impairment charges	-	-	-	-	-	(1)	-
Operating expenses	(1,152,210)	(354,355)	(192,070)	(607)	(230,705)	(1,540)	(1,931,488)
Result of operating activities	2,379,678	187,165	59,840	4,151	(398,914)	10,797	2,242,717
Finance costs	-	-	-	-	(50,964)	-	(50,964)
Finance income	-	-	-	-	270,329	-	270,329
Profit before income tax	2,379,678	187,165	59,840	4,151	(179,549)	10,797	2,462,082
Income tax expenses	117,616	(64,401)	(11,829)	28,727	(6,260)	(1)	63,853
Net profit for the year	2,497,294	122,764	48,011	32,878	(185,809)	10,796	2,525,935
Profit attributable to:							
Owners of the parent	2,497,294	112,943	45,611	32,878	(143,073)	10,797	2,556,449
Non-controlling interests	-	9,821	2,401	-	(42,736)	-	(30,514)
	2,497,294	122,764	48,011	32,878	(185,809)	10,796	2,525,935

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2018 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
Cash and cash equivalents	1,926,187	800,532	253,256	1,514	51,897	(3,000)	3,030,386
Investment securities:							
Equity instruments at fair value through OCI	604,740	-	111,500	-	-	(39,434)	676,806
Loans and receivables	10,378,981	-	889,558	-	603,629	(319,427)	11,552,741
Financial assets at amortised cost	14,885,306	-	-	-	-	-	14,885,306
Debt instruments at fair value through profit or loss	487,230	-	-	-	-	-	487,230
Assets held for sale	5,550,000	-	-	-	-	-	5,550,000
Trade receivables	248,097	255,548	22,432	-	-	(1)	526,076
Reinsurance assets	1,635,300	431,911	-	-	-	-	2,067,212
Other receivables	672,714	1,050,233	151,077	58,455	40,236	(908,352)	1,064,364
Deferred acquisition costs	104,388	-	-	-	-	-	104,388
Inventories	-	-	-	518,236	-	-	518,236
Investment properties	1,420,000	-	-	-	-	-	1,420,000
Investments in subsidiaries	896,981	-	-	-	-	(896,981)	-
Intangible assets	787	34,766	-	-	3,073	-	38,626
Property, plant and equipments	218,059	570,981	418,333	0	33,883	-	1,241,256
Statutory deposit	200,000	-	-	-	-	-	200,000
Deferred tax assets	26,869	-	-	-	-	93,553	120,422
Goodwill	-	-	-	-	-	1,543	1,543
Total assets	39,255,639	3,143,972	1,846,156	578,205	732,717	(2,072,099)	43,484,592

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2018 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
LIABILITIES							
Insurance contract liabilities	6,707,244	837,250	209,049	-	-	164,376	7,917,919
Investment contract liabilities	25,261,335	-	14,926	-	-	-	25,276,261
Trade payables	691,521	219,674	1,936	-	-	(1)	913,130
Other liabilities	384,271	67,434	100,258	471,892	61,423	(346,625)	738,652
Borrowings	-	-	-	-	-	-	-
Deposit liabilities	-	-	-	-	512,153	-	512,153
Current income tax liabilities	248,167	-	-	47,953	17,493	-	313,614
Deferred tax liabilities	-	-	-	61,085	5,643	384,505	451,233
Total liabilities	33,292,538	1,124,357	326,169	580,930	596,712	202,255	36,122,962
EQUITY							
Share capital	250,000	1,367,210	488,421	20,000	264,867	(2,140,498)	250,000
Share premium	3,750,000	-	-	-	-	-	3,750,000
Foreign currency translation reserve	-	377,335	901,093	-	-	(162,144)	1,116,284
Revaluation reserve	-	139,140	74,003	-	-	(32,407)	180,736
Fair value reserves	(111,732)	-	-	-	-	(37,134)	(148,866)
Contingency reserve	465,798	-	-	-	-	-	465,798
Retained earnings/ (accumulated losses)	1,609,035	72,838	25,058	22,725	186,157	125,046	1,572,979
Shareholders' fund	5,963,101	1,956,522	1,438,460	(2,725)	78,710	(2,247,137)	7,186,931
Owners of the parent	5,963,101	1,956,522	1,438,460	(2,725)	78,710	(2,247,137)	7,186,931
Non-controlling interests in equity	-	63,093	81,527	-	57,296	(27,217)	174,699
Total equity	5,963,101	2,019,615	1,519,986	(2,725)	136,006	(2,274,354)	7,361,630
Total liabilities and equity	39,255,639	3,143,972	1,846,156	578,205	732,717	(2,072,099)	43,484,592

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2019

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments for the year ended 31 December 2018 is as follows:

Group <i>in thousands of Nigerian Naira</i>	Assurance business			Real estate Mutual Homes	Microfinance Mutual Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia				
Gross premium written	5,914,556	1,363,358	544,484	-	-	(1)	7,822,397
Gross premiums income	6,193,018	1,219,638	544,484	-	-	-	7,957,140
Premiums ceded to reinsurers	(537,713)	(170,189)	-	-	-	-	(707,902)
Net premiums income	5,655,305	1,049,450	544,484	-	-	-	7,249,238
Fee and commission income	96,536	6,556	-	-	-	-	103,092
Net underwriting income	5,751,841	1,056,006	544,484	-	-	-	7,352,330
Net benefits and claims	4,088,467	321,435	268,935	-	-	-	4,678,837
Increase in individual life fund	455,428	-	-	-	-	-	455,428
Increase in annuity reserve	21,990	-	-	-	-	-	21,990
Underwriting expenses	1,403,045	164,769	42,228	-	-	-	1,610,042
Net underwriting expenses	5,968,930	486,204	311,163	-	-	-	6,766,297
Underwriting profit	(217,089)	569,802	233,321	-	-	-	586,033
Profit on investment contracts	1,548,910	-	-	-	-	-	1,548,910
Investment income	1,161,210	29,636	51,151	-	-	(134,532)	1,107,465
Fair value loss on investment properties	-	-	-	-	-	-	-
Other income	19,778	21,051	-	6,050	69,408	(1)	116,287
Impairment charge no longer required	-	-	-	-	-	-	-
Impairment charges	(9,282)	-	-	-	(81,914)	(18,450)	(109,646)
Employees benefit expenses	(621,595)	(154,888)	(106,233)	(2,773)	(142,980)	1	(1,028,469)
Net realised losses	(31,528)	-	-	-	-	-	(31,528)
Operating expenses	(1,144,311)	(342,263)	(131,911)	(8,382)	(99,418)	3	(1,726,284)
Result of operating activities	706,093	123,339	46,328	(5,106)	(254,902)	(152,980)	462,768
Finance costs	-	-	-	-	(46,199)	-	(46,199)
Finance income	-	-	-	-	327,860	-	327,860
Profit before income tax	706,093	123,339	46,328	(5,106)	26,759	(152,980)	744,429
Income tax expenses	(80,917)	(47,350)	(1,706)	28,149	(3,643)	30,108	(75,357)
Net profit for the year	625,176	75,989	44,622	23,043	23,116	(122,872)	669,072
Profit attributable to:							
Owners of the parent	625,176	69,910	42,062	23,043	10,874	(122,873)	648,193
Non-controlling interests	-	6,079	2,559	-	12,242	(1)	20,879
	625,176	75,989	44,622	23,043	23,116	(122,872)	669,072

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

4 Gross premium income

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
4.1 Gross premium written					
Group life		6,374,608	4,317,470	6,330,186	4,181,110
Individual life		2,158,016	1,733,446	2,158,016	1,733,446
Non-life		1,798,574	1,771,481	-	-
		10,331,198	7,822,397	8,488,202	5,914,556
Changes in unearned premium					
Group life		(811,125)	278,463	(690,254)	278,462
Non-life		63,422	(143,720)	-	-
		(747,703)	134,743	(690,254)	278,462
Gross premium income	33.2	9,583,495	7,957,140	7,797,948	6,193,018
4.2 Premiums ceded to reinsurers					
Group life		729,314	529,044	729,314	529,044
Individual life		45,960	8,669	23,875	8,669
Non-life		98,701	170,189	-	-
	22.3	873,975	707,902	753,189	537,713
4.3 Net premium income		8,709,520	7,249,238	7,044,759	5,655,305
5 Commission income					
Commission income from reinsurance		134,558	103,092	131,570	96,536
		134,558	103,092	131,570	96,536
6 Net benefits and claims					
Claims paid		4,793,395	5,266,912	4,257,880	4,676,542
Change in outstanding claims		451,514	1,351,714	464,039	1,351,714
Claims recoveries	22.2	(1,524,512)	(1,903,592)	(1,524,512)	(1,903,592)
Change in outstanding claims - Reinsurers	22.1	(20,762)	(36,197)	(20,762)	(36,197)
		3,699,635	4,678,837	3,176,645	4,088,467
7 Underwriting expenses					
Amortisation of deferred acquisition costs	24	838,148	660,044	641,176	453,047
Maintenance costs	7.1	1,230,652	949,998	1,230,652	949,998
		2,068,800	1,610,042	1,871,828	1,403,045

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

7.1 Maintenance costs

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Marketing expenses		411,771	382,733	411,771	382,733
Training and Forum for marketers		283,559	153,453	283,559	153,453
Agency allowance		240,747	135,613	240,747	135,613
Agency unit manager allowance		227,022	188,968	227,022	188,968
Transport & Travelling - Corporate		32,601	48,571	32,601	48,571
Administrative charges - Group Life		11,854	23,414	11,854	23,414
Postage stamp duty expenses		9,877	6,362	9,877	6,362
Agency training		6,734	5,910	6,734	5,910
Group life actuary valuation report fee		4,000	2,800	4,000	2,800
Underwriting medical expenses		2,487	2,174	2,487	2,174
		1,230,652	949,998	1,230,652	949,998

8 Profit on investment contracts

Interest income		3,556,496	3,606,857	3,556,496	3,606,857
Rental income on Alpha Court		86,664	192,280	86,664	192,280
Investment related expenses	8.1	(37,917)	(90,907)	(37,917)	(90,907)
Surrender fee		428,299	536,509	428,299	536,509
Guaranteed interest		(1,899,142)	(1,803,613)	(1,899,142)	(1,803,613)
Acquisition cost on investment policies		(1,065,472)	(892,216)	(1,065,472)	(892,216)
		1,068,928	1,548,910	1,068,928	1,548,910

8.1 Investment related expenses

Property repairs and maintenance cost		27,664	50,449	27,664	50,449
Facility management		10,253	5,458	10,253	5,458
Regularisation of title		-	35,000	-	35,000
		37,917	90,907	37,917	90,907

9 Investment income

9.1 Investment income from Insurance contracts

Interest income on loans and advances		5,765	6,412	5,765	6,412
Interest income on fixed term deposit		206,438	305,684	106,705	224,897
Interest from current accounts with banks		21,113	3,232	21,112	3,232
Interest income from treasury bills		693,211	647,678	693,211	647,678
		926,528	963,006	826,794	882,219

9.2 Investment income from Shareholders funds

Interest income on fixed term deposit		45,285	40,975	45,285	40,975
Interest income on statutory deposits		25,928	30,732	25,928	30,732
Interest from current accounts with banks		8,960	589	8,960	589
Interest income from treasury bills		199,088	72,163	199,088	72,163
Dividend income from MB Niger		-	-	-	134,532
		279,261	144,458	279,261	278,990
		1,205,789	1,107,465	1,106,055	1,161,210

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

10 Net fair value gain/(loss) on assets at FVTPL

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2018	2018
Net fair value gain/(loss) on financial	20.5.1	549,450	(24,528)	549,450	(24,528)
Fair value loss on Assets held for sale		-	(7,000)	-	(7,000)
Fair value loss on investment properties	27.1	(20,000)	-	(20,000)	-
		529,450	(31,528)	529,450	(31,528)

11 Other income

Net foreign exchange - gain	25,163	40,379	5,395	19,778
Net income from sale of properties	9,570	5,061	5,250	-
Gain on disposal of property, plant and equipment	1,824	-	137	-
Micro finance fees and commission	16,267	66,609	-	-
Commission on turnover	2,239	2,800	-	-
Others	231	1,438	233	-
	55,294	116,287	11,015	19,778

12 Impairment loss on financial assets

Cash & cash equivalents	(3,404)	(22,747)	(3,404)	(25,747)
Loans & receivables	305,143	100,033	259,653	18,119
Debt instruments at amortised cost	(654)	868	(654)	868
Other receivables & prepayments	(9,154)	31,492	3,185	16,042
Trade receivables	23,873	-	-	-
	315,804	109,646	258,780	9,282

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

13 Employee benefit expenses

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Wages and salaries		1,148,844	992,833	761,265	591,896
Defined contribution pension costs		36,222	35,636	31,341	29,699
		1,185,066	1,028,469	792,606	621,595

In line with the provisions of the Pension Reform Act 2014, the Company instituted a contributory pension scheme for all its employees. Its employees each contributes 8% of employees' annual insurable earnings (basic pay, transport and housing), while the employer contributes 10% to the scheme. Staff contributions to the scheme are funded through payroll deductions while the entity's contribution is charged each year to the statement of profit or loss as staff cost.

14 Management expenses

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Amortization of intangible assets	29	4,138	3,807	765	964
Auditors' remuneration		27,981	20,854	19,500	15,725
Bad debt written off		144,690	-	-	-
Bank Charges		72,390	70,553	67,396	61,354
Business entertainments		12,450	7,021	10,494	4,181
Computer repairs and maintenance		14,118	24,264	7,229	15,071
Depreciation of property, plant & equipment	30	150,270	259,083	107,453	186,771
Directors fee and allowance and expenses		95,805	122,652	5,975	28,175
Gifts and promotional items		25,324	49,128	19,668	42,207
Insurance		10,111	9,382	5,702	5,219
NAICOM supervisory fee		334,735	99,065	334,735	99,065
Legal and consultancy fees		135,570	128,673	108,265	112,335
Loss on disposal of Investment properties		-	2,500	-	2,500
Medical expenses		33,240	30,402	24,997	19,982
Motor vehicle running expenses		128,828	97,724	119,241	89,500
Newspapers and periodicals		773	221	726	169
Printing and stationery		59,552	56,423	16,700	14,041
Public relations and advertising		71,179	42,637	20,058	27,629
Rents and Rates		78,451	85,278	61,071	68,868
Repairs and maintenance		189,200	254,855	90,621	98,767
Security expenses		11,730	13,198	4,169	5,445
Subscriptions		16,930	24,690	7,056	10,610
Telecommunication expenses		59,833	99,459	24,379	88,371
Other expenses		153,663	68,956	10,293	5,188
Training and recruitment		66,814	78,842	58,041	75,293
Transport and travelling		26,049	71,530	21,555	61,794
Utilities		6,121	5,087	6,121	5,087
Impairment on goodwill written off		1,543	-	-	-
		1,931,488	1,726,284	1,152,210	1,144,311

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

15 Finance costs

Interest income calculated using the effective interest method

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	2019	2018	2019	2018
Interest charge on deposits	43,416	33,661	-	-
Interest on savings account	7,548	12,538	-	-
	50,964	46,199	-	-

16 Finance income

Interest expense calculated using the effective interest method

Interest income on micro/SME loans	266,201	325,273	-	-
Interest income on overdraft	3,591	-	-	-
Interest income on treasury bills	537	2,587	-	-
	270,329	327,860	-	-

17 Income tax expense

17.1 Current income tax charge

Company income tax	86,476	53,352	-	-
Education tax	49	836	-	-
Minimum tax	16,160	64,811	16,160	64,811
Information technology tax	23,797	7,330	23,797	7,061
Total current income tax expense	38	126,481	39,957	71,872

17.2 Deferred tax

Relating to origination and reversal of temporary differences	(190,334)	(50,972)	(157,573)	9,045
Total deferred tax	(190,334)	(50,972)	(157,573)	9,045
Total income tax (credit)/expenses	(63,853)	75,357	(117,616)	80,917

17.3 Reconciliation of tax charge

Profit before income tax	2,462,082	744,429	2,379,678	706,093
Tax at Nigerian's statutory income tax rate of 30% (2018: 30%)	738,625	223,329	713,903	211,828
Effect of:				
Tax exempt income	(3,083,270)	(667,639)	(3,083,270)	(658,897)
Expenses not deductible for tax purposes	2,346,677	440,385	2,317,683	449,808
Tax rate differential on fair value loss	(105,890)	6,306	(105,890)	6,306
Information Technology tax	23,797	7,330	23,797	7,061
Minimum tax	16,160	64,811	16,160	64,811
Education tax	49	836	-	-
	(63,853)	75,357	(117,616)	80,917

The Company was assessed based on minimum tax: In line with Section 16, of Companies Income Tax Act 2004 (as amended by the Finance Act, 2019)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

18 Earnings per share

18.1 Earnings per share - Basic

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic EPS computations:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Profit attributable to equity holders		2,556,449	648,193	2,497,294	625,176
Weighted average number of ordinary shares for basic earnings per share	18.2	253,068	250,000	253,068	250,000
Basic earnings per ordinary share (kobo)		1,010	259	987	250

18.2 Weighted average number of ordinary shares - basic

Issued ordinary shares at 1 January	250,000	250,000	250,000	250,000
Issued during the year	3,068	-	3,068	-
As at 31 December	253,068	250,000	253,068	250,000

18.3 Earnings per share- Diluted

Weighted average number of ordinary shares for diluted earnings per share	18.2	253,068	250,000	253,068	250,000
As at 31 December		253,068	250,000	253,068	250,000
Diluted earnings per ordinary share (kobo)		1,010	259	987	250

The authorised ordinary shares were increased to 350,000 000 ordinary shares at ₦1.00 each. The issued and fully paid ordinary shares were also increased to 330,000,000 as a result of the ₦2 billion capital injected into the Company by the Mutual Benefits Assurance Plc (parent company) for 80,000,000 units of ordinary shares at ₦25 each issued and paid for on the 18th of December, 2019

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

19 Cash and cash equivalents

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Cash on hand		2,074	10,239	26	17
Cash in banks	19.1	2,502,530	1,516,149	171,360	802,517
Short-term deposits	19.1	2,179,506	1,517,433	1,917,301	1,134,088
Total Gross Amount		4,684,110	3,043,821	2,088,687	1,936,622
Expected credit loss (ECL) allowance	3.1.2	(10,031)	(13,435)	(7,031)	(10,435)
		4,674,079	3,030,386	2,081,656	1,926,187

19.1 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. All short-term deposits are subject to an average variable interest rate of 10.2% per annum (2018: 11.8%).

For the purpose of the statement of cash flows, the cash and cash equivalents consist of cash and short-term deposits, as defined above and are subject to insignificant change in fair value, and used by the Group to manage its short term cash commitments.

20 Financial assets

The Group's financial assets are summarized below by measurement category in the table below:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Equity instruments at fair value through OCI	20.1	288,125	676,806	216,059	604,740
Loans and receivables	20.2	10,904,152	11,552,741	10,042,114	10,378,981
Debt Instruments at amortised cost	20.3	18,120,383	14,885,306	18,120,383	14,885,306
Financial assets at FVPL	20.5	4,291,374	487,230	4,291,374	487,230
		33,604,034	27,602,083	32,669,930	26,356,257
Current		28,976,419	26,438,047	28,136,971	25,264,287
Non-current		4,627,615	1,164,036	4,532,959	1,091,970
		33,604,034	27,602,083	32,669,930	26,356,257

20.1 Equity Instruments at fair value through OCI

ICHL Limited	189,627	287,538	189,627	287,538
Leasing Company of Liberia	72,066	72,066	-	-
Motorways Asset Management Limited	-	161,290	-	161,290
Avanage Nigeria Limited	26,432	155,912	26,432	155,912
	288,125	676,806	216,059	604,740

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.1 Equity Instruments at fair value through OCI

Movement in equity instruments at fair value through OCI

Group	31 December 2019				
<i>in thousands of Nigerian Naira</i>	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
ICHL Limited	287,538	-	-	(97,911)	189,627
Leasing Company of Liberia	72,066	-	-	-	72,066
Motorways Asset Management Limited	161,290	-	-	(161,290)	-
Avanage	155,912	-	-	(129,480)	26,432
	676,806	-	-	(388,681)	288,125

Company	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
<i>in thousands of Nigerian Naira</i>					
ICHL Limited	287,538	-	-	(97,911)	189,627
Leasing Company of Liberia	-	-	-	-	-
Motorways Asset Management Limited	161,290	-	-	(161,290)	-
Avanage	155,912	-	-	(129,480)	26,432
	604,740	-	-	(388,681)	216,059

Group	31 December 2018				
<i>in thousands of Nigerian Naira</i>	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
ICHL Limited	199,531	-	-	88,007	287,538
Leasing Company of Liberia	65,500	-	-	6,566	72,066
Motorways Asset Management Limited	130,073	-	-	31,217	161,290
Avanage	240,093	-	-	(84,181)	155,912
	635,197	-	-	41,609	676,806

Company	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
<i>in thousands of Nigerian Naira</i>					
ICHL Limited	199,531	-	-	88,007	287,538
Leasing Company of Liberia	-	-	-	-	-
Motorways Asset Management Limited	130,073	-	-	31,217	161,290
Avanage	240,093	-	-	(84,181)	155,912
	569,697	-	-	35,043	604,740

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.2 Loans and receivables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Term loans	20.2.1	11,081,466	11,864,740	10,292,321	10,467,772
Overdrafts		93,203	-	-	-
Staff loans		196,163	99,367	150,983	52,746
Gross loans and advances		11,370,832	11,964,107	10,443,304	10,520,518
Expected credit loss	3.1.2	(466,680)	(411,366)	(401,190)	(141,537)
		10,904,152	11,552,741	10,042,114	10,378,981
Current		10,856,036	11,525,101	10,016,588	10,351,341
Non-current		48,116	27,640	25,526	27,640
		10,904,152	11,552,741	10,042,114	10,378,981

20.2.1 Term loans

Prime Exploration and Production Limited	20.2.2	10,070,981	10,148,345	10,070,981	10,148,345
Mutual Homes and Properties Limited	20.2.3	-	-	221,340	319,427
Other		1,010,485	1,716,395	-	-
Gross term loans		11,081,466	11,864,740	10,292,321	10,467,772

20.2.2 Loan to Prime Exploration and Production Limited

Included in loans and advances for the Group is the loan balance of ₦10,070,981,000 (2018: ₦10,148,345,000) granted to Prime Exploration and Production Limited. The details is as follow:

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance at year end	10,148,345	10,162,578	10,148,345	10,162,578
Interest on loan	2,232,636	2,235,767	2,232,636	2,235,767
Payments received	(2,310,000)	(2,250,000)	(2,310,000)	(2,250,000)
	10,070,981	10,148,345	10,070,981	10,148,345

Mutual Benefits Assurance Plc and Mutual Benefits Life Assurance Limited together 'Mutual Group' entered into an agreement on 13 February 2008 to grant a loan facility of ₦10 billion to Prime Exploration and Production Limited (PEPL) for the development and production of hydrocarbons in Asaramatoru Marginal Oil Field. Disbursement of money commenced on 16 February 2011 for Mutual Benefits Assurance Plc and 4 March 2011 for Mutual Benefits Life Assurance Limited.

The loan was granted for a period of 60 months after moratorium at 22 percent annual interest rate and 2 percent all in and a moratorium period of 36 months. A balloon payment of ₦9.9 billion is due on 31 July 2020. There are no defaults in the loan terms during the year.

Security for the loan include the following:

- First charge over oil asset of Asaramatoru Marginal Field
- First charge on all receivables under oil contract throughout the tenor of the facility
- No distribution of profit of PEPL until the funds (principal and interest) advanced by Mutual Group is fully repaid.

PEPL and Suffolk Petroleum Services Limited were awarded Asaramatoru Marginal Field in Oil Mining Lease (OML) in 2003 with PEPL holding 51 percent participating interest and Suffolk Petroleum Limited holding 49 percent interest.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.2 Financial assets - Loans and receivables - Continued

20.2.3 Loan to Mutual Homes and Properties Limited

Included in loans and advances for the Company is the loan balance of ₦221,340,000 (2018: ₦319,427,000) granted to Mutual Benefits Homes and Properties Limited. The details is as follow:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance as 1 January		-	-	319,427	639,427
Additions		-	-	-	-
		-	-	319,427	639,427
Interest on loan		-	-	28,748	57,548
Interest waiver		-	-	(28,748)	(57,548)
Payments		-	-	(98,087)	(320,000)
		-	-	221,340	319,427

Mutual Benefits Life Assurance Limited entered into an agreement with Mutual Benefits Homes and Properties Limited to grant a credit facility of ₦5 billion at an average interest rate of 15% per annum for a period of 10 years from the date of disbursement of the facility on 30 June 2010 . It was agreed that Mutual Benefits Homes and Properties Limited will be granted a moratorium for a period of 5 years to allow for the completion of real estate development. The Loan is secured by first charge on the receivables of Mutual Benefits Homes and Properties Limited from the projects for which the facility is used and other capital and liquid assets.

20.2.4 Loans concentrations

The Group monitors concentrations of credit risk by borrowers; individual or corporate.

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	Individuals	Loans to corporate	Individuals	Loans to corporate
31 December 2019				
Gross	387,365	10,983,467	150,983	10,292,321
Expected credit loss	(33,075)	(433,605)	(392)	(400,798)
Net Balance	354,290	10,549,862	150,591	9,891,523
31 December 2018				
Gross	410,115	11,553,992	52,746	10,467,772
Expected credit loss	(27,982)	(383,384)	(637)	(140,900)
Net Balance	382,133	11,170,608	52,109	10,326,872

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.3 Debt instruments at amortised cost

Treasury bills and bonds

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
NTB 16/07/2020	5,167,631	-	5,167,631	-
NTB 10/09/2020	3,089,161	-	3,089,161	-
NTB 24/09/2020	2,457,241	-	2,457,241	-
NTB 17/09/2020	2,270,753	-	2,270,753	-
NTB 10/12/2020	1,915,144	-	1,915,144	-
NTB 13/08/2020	1,719,706	-	1,719,706	-
NTB 24/09/2020	1,404,984	-	1,404,984	-
NTB 02/01/2020	99,944	-	99,944	-
NTB - 20/6/2019	-	2,838,370	-	2,838,370
NTB -21/2/2019	-	147,649	-	147,649
NTB 18/07/2019	-	5,904,608	-	5,904,608
NTB 18/07/2019	-	1,031,091	-	1,031,091
NTB-03/10/2019	-	1,374,525	-	1,374,525
NTB 14/12/2019	-	3,593,898	-	3,593,898
Total Gross Amount	18,124,564	14,890,141	18,124,564	14,890,141
Expected credit loss (ECL) 3.1.2	(4,181)	(4,835)	(4,181)	(4,835)
	18,120,383	14,885,306	18,120,383	14,885,306
Current	18,120,383	14,885,306	18,120,383	14,885,306
Non-current	-	-	-	-
	18,120,383	14,885,306	18,120,383	14,885,306

The treasury bills are made for varying periods above three months and are subject to an average interest rate of 11.12% per annum (2018: 12%).

20.4 The movement in Debt instruments at amortised cost

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
At 1 January	14,890,141	11,781,602	14,890,141	11,781,602
Additions during the year	17,570,787	22,453,260	17,570,787	22,453,260
Accrued interest income	1,888,655	602,360	1,888,655	602,360
Redemption at maturity	(16,225,019)	(19,947,081)	(16,225,019)	(19,947,081)
At 31 December	18,124,564	14,890,141	18,124,564	14,890,141

20.5 Debt instruments at fair value through profit or loss

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
LASG BOND NOV 2020	-	487,230	-	487,230
FGN BOND JUL 2034	4,291,374	-	4,291,374	-
	4,291,374	487,230	4,291,374	487,230
Current	-	487,230	-	487,230
Non-current	4,291,374	-	4,291,374	-
	4,291,374	487,230	4,291,374	487,230

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.5 Debt instruments at fair value through profit or loss - continued

20.5.1 The movement in Financial assets at FVPL

		GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance at 1 January		487,230	595,823	487,230	595,823
Additions during the year		3,596,244	521,305	3,596,244	521,305
Accrued interest income		208,059	6,340	208,059	6,340
Amortization of bond premium		(48,223)	(10,949)	(48,223)	(10,949)
Redemption at maturity or disposal		(501,386)	(600,761)	(501,386)	(600,761)
Fair value adjustments through	10	549,450	(24,528)	549,450	(24,528)
profit or loss					
At 31 December		4,291,374	487,230	4,291,374	487,230

21 Trade receivables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Trade receivables	21.1	247,231	526,076	-	248,097
		247,231	526,076	-	248,097
Current		247,231	526,076	-	248,097
Non-current		-	-	-	-
		247,231	526,076	-	248,097

Trade receivables are not interest bearing and are generally on terms of 30 to 90 days.

*Analysis of insurance receivables
by counter party*

		GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Gross					
Due from insurance brokers		271,104	526,076	-	248,097
		271,104	526,076	-	248,097
Allowance for impairment					
Due from insurance brokers		(23,873)	-	-	-
		(23,873)	-	-	-
		247,231	526,076	-	248,097

21 Trade receivables

*The age analysis of gross
insurance receivables as at the end
of the year are as follows:*

		GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
0 - 90 days		247,231	526,076	-	248,097
91 - 180 days		23,873	-	-	-
Above 180 days		-	-	-	-
		271,104	526,076	-	248,097

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

22 Reinsurance assets

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Reinsurance share of outstanding cla	22.1	93,598	72,836	93,598	72,836
Co-assurance claims receivable	22.2	1,962,401	1,511,892	1,962,401	1,511,892
Reinsurance debtors		362,937	431,912	-	-
Prepaid reinsurance	22.3	71,928	50,572	71,928	50,572
		2,490,864	2,067,212	2,127,927	1,635,300
Current		2,490,864	2,067,212	2,127,927	1,635,300
Non-current		-	-	-	-
		2,490,864	2,067,212	2,127,927	1,635,300

Reinsurance receivables are to be settled on demand and the carrying amount is not significantly different from their fair value.

22.1 The movement in reinsurers' share of claims reported and loss adjustment expenses is as follows:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance at the beginning of the year		72,836	36,639	72,836	36,639
Changes in reinsurance share of outstanding claims	6	20,762	36,197	20,762	36,197
Balance at the end of the year		93,598	72,836	93,598	72,836

22.2 The movement in co-assurance claim receivables

Balance at the beginning of the year		1,511,892	1,011,474	1,511,892	1,011,474
Addition during the year		1,524,512	1,903,592	1,524,512	1,903,592
Receipts during the year		(1,074,003)	(1,403,174)	(1,074,003)	(1,403,174)
Balance at the end of the year		1,962,401	1,511,892	1,962,401	1,511,892

22.3 The movement in prepaid reinsurance

Balance at the beginning of the year		50,572	22,056	50,572	22,056
Additions during the year	35.1	895,331	736,418	774,545	566,229
Recognised in profit or loss	4.2	(873,975)	(707,902)	(753,189)	(537,713)
Balance at the end of the year		71,928	50,572	71,928	50,572

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23 Other receivables and prepayments

		GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Short term rent prepayment		73,798	70,153	59,947	33,853
WHT recoverable		102,313	84,751	102,313	84,751
Other bank balances	23.1	4,386	4,814	4,386	4,814
Advance commission to retail agents		17,622	18,296	17,622	18,296
Amount due from related party - MB Plc		66,809	-	66,809	-
Dividends receivable		-	-	89,302	89,302
VAT input on Alpha Court property		176,500	180,250	176,500	180,250
ATM cards with staff		698	957	-	-
Other receivables	23.2	615,614	786,779	304,470	327,633
		1,057,740	1,146,000	821,349	738,899
Expected credit loss		(72,482)	(81,636)	(69,370)	(66,185)
		985,258	1,064,364	751,979	672,714
Current		985,258	1,064,364	751,979	672,714
Non-current		-	-	-	-
		985,258	1,064,364	751,979	672,714

Other receivables and prepayments are non-interest bearing

23.1 This is made up of reversals in the bank statement of the Company by the Bank but with inadequate information to determine the reason for the reversal. The entry is corrected once the detailed information is obtained from the bank.

23.2 Analysis of other receivables is as shown below:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Excess interest charges		6,390	6,390	6,390	6,390
Rent receivables		132,501	132,501	132,501	132,501
Receivables from property buyers		124,327	170,337	80,000	119,009
Property development debtors		92,819	98,736	-	-
Other trade receivables		123,293	287,669	-	-
Investment placement with Flourish Limited		7,129	7,129	7,129	7,129
Investment placement with BGL Securities Limited		38,753	38,753	38,753	38,753
Sundry receivables		90,401	45,264	39,697	23,851
		615,613	786,779	304,470	327,633

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23 Other receivables and prepayments

23.3 Set out below is the information about the credit exposure on the Group's other receivables items in Note 23.2 using a provision matrix. The loss allowance provision as at 31 December, 2019 has also incorporated forward looking information.

31 Dec-2019		GROUP		COMPANY	
		Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
<i>in thousands of Nigerian Naira</i>	ratio				
Current	1%	430,840	4,308	119,697	1,197
More than 30 days past due	4%	-	-	-	-
More than 60 days past due	7%	-	-	-	-
More than 90 days past due	12%	132,501	15,901	132,501	15,901
Individual impairment:					
Excess interest charges	100%	6,390	6,390	6,390	6,390
Florish Securities Investments and Trust Limited	100%	7,129	7,129	7,129	7,129
BGL Securities Limited	100%	38,753	38,753	38,753	38,753
Total		615,613	72,482	304,470	69,370

31 Dec-2018		GROUP		COMPANY	
		Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
<i>in thousands of Nigerian Naira</i>	ratio				
Current	1%	534,330	5,343	173,920	1,739
More than 30 days past due	4%	-	-	-	-
More than 60 days past due	7%	-	-	-	-
More than 90 days past due	12%	200,177	24,020	101,441	12,174
Individual impairment:					
Excess interest charges	100%	6,390	6,390	6,390	6,390
Florish Securities Investments and Trust Limited	100%	7,129	7,129	7,129	7,129
BGL Securities Limited	100%	38,753	38,753	38,753	38,753
Total		786,779	81,636	327,633	66,185

23.4 The movement in expected credit loss on other receivables

(a) Group	31 Dec-2019		31 Dec-2018	
	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Impairment provision	Total Impairment provision
<i>in thousands of Nigerian Naira</i>				
As at 1 January	5,343	76,293	81,636	50,143
Additions during the year	4,308	-	4,308	31,493
Recoveries	(5,343)	(8,119)	(13,462)	-
Balance at 31 December	4,308	68,174	72,482	81,636

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23.4 The movement in expected credit loss on other receivables

Company			31 Dec-2019	31 Dec-2018
	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Impairment provision under IFRS 9	Impairment provision under IFRS 9
<i>in thousands of Nigerian Naira</i>				
As at 1 January	1,739	64,446	66,185	50,143
Additions during the year	1,197	3,727	4,924	16,042
Recoveries	(1,739)	-	(1,739)	-
Balance at 31 December	1,197	68,173	69,370	66,185

23.5 Analysis of recoveries on other receivables is as shown below:

		GROUP		COMPANY	
<i>in thousands of Nigerian Naira</i>	Notes	31 Dec-2019	31 Dec-2018	30 Sep-2019	31 Dec-2018
Rent receivables		311	-	311	-
Receivables from property buyers		1,703	-	1,190	-
Other trade receivables		10,996	-	-	-
Sundry receivables		453	-	239	-
Balance at 31 December		13,462	-	1,739	-

24 Deferred acquisition costs

Balance at the beginning of the year		104,388	173,101	104,388	173,101
Additions during the year		904,990	591,331	708,018	384,334
Amortisation of DAC	7	(838,148)	(660,044)	(641,176)	(453,047)
Balance at the end of the year		171,230	104,388	171,230	104,388
Current		171,230	104,388	171,230	104,388
Non-current		-	-	-	-
		171,230	104,388	171,230	104,388

25 Inventories

Construction in progress		436,156	518,236	-	-
		436,156	518,236	-	-
Current		436,156	518,236	-	-
Non-current		-	-	-	-
		436,156	518,236	-	-

Construction in progress represent building under construction for the purpose of resale.

26 Assets held for sale

Balance as at 1 January		5,550,000		5,550,000	-
Transferred from Investment Properties	27	-	5,557,000		5,557,000
Reclassification to Investment properties	27	(5,550,000)		(5,550,000)	
Disposal				-	
Remeasurement loss on assets held for sale		-	(7,000)	-	(7,000)
		-	5,550,000	-	5,550,000

During the year as approved by the Board of Directors on 16 December, 2019, assets previously classified as Held for sale were reclassified back to Investment properties as they no longer meet the criteria for assets held for sale

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 Investment properties

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance at the beginning of the year		1,420,000	8,510,000	1,420,000	8,510,000
Additions		-	-	-	-
Reclassified to from/(to) Assets held for sale	26	5,550,000	(5,557,000)	5,550,000	(5,557,000)
Disposal		(75,000)	(1,533,000)	(75,000)	(1,533,000)
Fair value loss on investment properties	10	(20,000)	-	(20,000)	-
		6,875,000	1,420,000	6,875,000	1,420,000

The items of investment properties are as shown below:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Mutual Tulip Estate	i	500,000	-	500,000	-
Property at Ikeja Alausa	ii	350,000	-	350,000	-
Property at Sango/Idiroko - Mogga	iii	80,000	-	80,000	-
Property at Sango/Idiroko - Caxtonjo	iv	50,000	-	50,000	-
Property at Akure Plots (5,320 Square Meters)	v	200,000	-	200,000	-
Property at Ado Ekiti Land	vi	700,000	-	700,000	-
Mutual Alpha Court duplex, Costain, Lagos	vii	3,625,000	-	3,625,000	-
Property at Onireke,Ibadan	viii	550,000	550,000	550,000	550,000
Property at Asokoro, Abuja	ix	650,000	700,000	650,000	700,000
Property at Oyingbo, Lagos	x	170,000	170,000	170,000	170,000
Balance at the end of the year		6,875,000	1,420,000	6,875,000	1,420,000

27.1 Movement in Investment properties is shown below:

	Bal as at 1.1.2019	Reclassified from Assets held for sale	Disposal	Fair value gain/(loss)	Bal as at 31.12.2019
Mutual Tulip Estate	-	500,000	-	-	500,000
Property at Ikeja Alausa	-	300,000	-	50,000	350,000
Property at Sango/Idiroko - Mogga	-	80,000	-	-	80,000
Property at Sango/Idiroko - Caxtonjo	-	50,000	-	-	50,000
Property at Akure Plots (5,320 Square Meters)	-	200,000	-	-	200,000
Property at Ado Ekiti Land	-	720,000	-	(20,000)	700,000
Mutual Alpha Court duplex, Costain, Lagos	-	3,700,000	(75,000)	-	3,625,000
Property at Onireke,Ibadan	550,000	-	-	-	550,000
Property at Asokoro, Abuja	700,000	-	-	(50,000)	650,000
Property at Oyingbo, Lagos	170,000	-	-	-	170,000
Balance at the end of the year	1,420,000	5,550,000	(75,000)	(20,000)	6,875,000

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 Investment property - Continued

Investment properties are stated at fair value, which has been determined based on valuations performed by Messr Alabi, Ojo & Makinde Consulting (FRC/2015/NIESV/00000010800) and Messr Arigbede & Co Estate Surveyors and Valuers (FRC/2014/00000004634), accredited independent valuers as at 31 December 2019. The valuers are specialists in valuing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and other sectors specific peculiarities corroborated with available data derived from previous experiences.

Valuations are performed on an annual basis and the fair value gains and losses were recorded within the profit or loss.

The Group enters into operating lease arrangements for all of its investment properties. The rental income arising during the year amounted to ₦86,664,000 (2018: ₦192,280,000) which is included in profit on investment contract. Direct operating expenses arising in respect of such properties during the year are also included in Profit on investment contracts..

There are no restrictions on the realisability of investment property or remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Rental income derived from investment properties	8	86,664	192,280	86,664	192,280
Fair value loss on investment properties		(20,000)	-	(20,000)	-
Direct operating expenses, including repairs and maintenance, included in investment related expenses in profit on investment contracts	8.1	(37,917)	(90,907)	(37,917)	(90,907)
Profit arising from investment properties carried at fair value		28,747	101,373	28,747	101,373

Description of valuation techniques used and key inputs to valuation on investment properties:

The valuation of the properties is based on the price for which comparable land and properties are being exchanged hands or are being marketed for sale. Therefore, the market-approach Method of Valuation.

By nature, detailed information on concluded transactions is difficult to come by. They have therefore relied on past transactions and recent adverts in deriving the value of the subject properties.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 Description of valuation techniques used and key inputs to valuation on investment properties:

i *Mutual Tulip Estate*

Landed property of 11.40 Hectares with industrial development potential lying, situated and being at Isheri Oke Village, off Lagos/Ibadan Expressway, Ifo Local Government Area, Ogun State in Nigeria was purchased at a cost of ₦747million. Forty percent or 4.56 hectares of this land was sold as part of the disposal of investment properties in 2018. The remaining portion (6.84 hectares) was revalued to ₦500 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject is vested in the Company through a Deed of Assignment.

ii *Property at Ikeja Alausa*

Landed property of 1,515.601 square metres of land located at Alausa central business district Lagos state in Nigeria was purchased at a cost of ₦177million. The landed property was revalued to ₦350 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject is vested in Deed of Assignment in favour of the Company.

iii *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 ₦90million. The landed property was valued to ₦80 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject is vested in the Deed of Assignment in favour of Mutual Benefits Life Assurance Limited.

iv *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 ₦60million. The landed property was valued to ₦50 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject is vested in the Deed of Assignment in favour of Mutual Benefits Life Assurance Limited.

v *Property at Akure ,Ondo State*

Landed property of 5,302 square meters of land located at Akure, Ondo State, Nigeria was transferred to the Company from Mutual Homes and Properties Limited at a fair value of ₦350million. The valuation was done by Messrs Arigbede & Co. Estate Surveyors and Valuers. The subsisting title to the subject is vested in the Deed of Assignment between Mutual Benefits Home and Properties Limited and Mutual Benefits Life Assurance Limited. The property was valued at ₦200million by Messrs Arigbede & Co. Estate Surveyors and Valuers as at 31 December 2019.

vi *Property at Ado Ekiti Land*

Landed property consisting of 27,658 Hectares of land located at Ado-Ekiti, Ekiti State Nigeria was transferred to the Company from Mutual Homes and Properties Limited at a fair value of ₦700million. The property was valued at ₦700million by Messrs Arigbede & Co. Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject a deed of assignment in favour of the Company.

vii *Mutual Alpha Court duplex, Costain, Lagos*

This represents 48 unsold units of the 60 units Terrace Triplex housing scheme located at Costain Iporin, Lagos. The property was constructed by Mutual Benefits Homes and Properties Limited and was transferred to the Mutual Benefits Life Assurance Limited in 2014 as part settlement of loan. As at 31 December 2019, 47 units were revalued at ₦3,625,000,000 by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers. The subsisting title is vested in Deed of Assignment between Mutual Benefits Homes and Properties Limited and Mutual Benefits Life Assurance Limited.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 Description of valuation techniques used and key inputs to valuation on investment properties:

viii *Property at Onireke, Ibadan*

The property occupy 6808.179 square meters of land located at kudeti Avenue, Commercial Reservation Onireke, Ibadan, Oyo State in Nigeria was transferred from Mutual Benefits Assurance Plc to Mutual Benefits Life Assurance Limited in 2014. The property was transferred at a cost of ₦543,791,845 and revalued to ₦550 million by Messrs Alabi, Ojo and Makinde Consulting as at 31 December 2019. The subsisting title to the subject is a certificate of Occupancy in favour of the Company.

ix *Property At Abuja (Asokoro District, Abuja)*

This is a six bedroom detached house (207.12 square meters) on a rectangular shaped site covering and approximately land area of 800 square meters, situated at 78 Yakubu Gowon Crescent, Asokoro, Abuja, The property was purchased at a cost of ₦666.25million. The property was valued at ₦650million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject land is a deed of assignment in favour of the Company.

x *Property at Oyingbo, Lagos*

Property of 461 square meters of land located at Apapa Road, Ebute-Metta, Lagos State, Nigeria was transferred at a value of ₦180million. The title is held in perpetuity and Deed of Assignment in favour of the Company is ongoing. The property was valued at ₦170million by Messr Alabi, Ojo and Makinde Consulting, Estate Surveyors and Valuers as at 31 December 2019. The subsisting title to the subject is vested in the Land Certificate and registered at the Land Registry Office in Lagos State.

28 Investments in subsidiaries

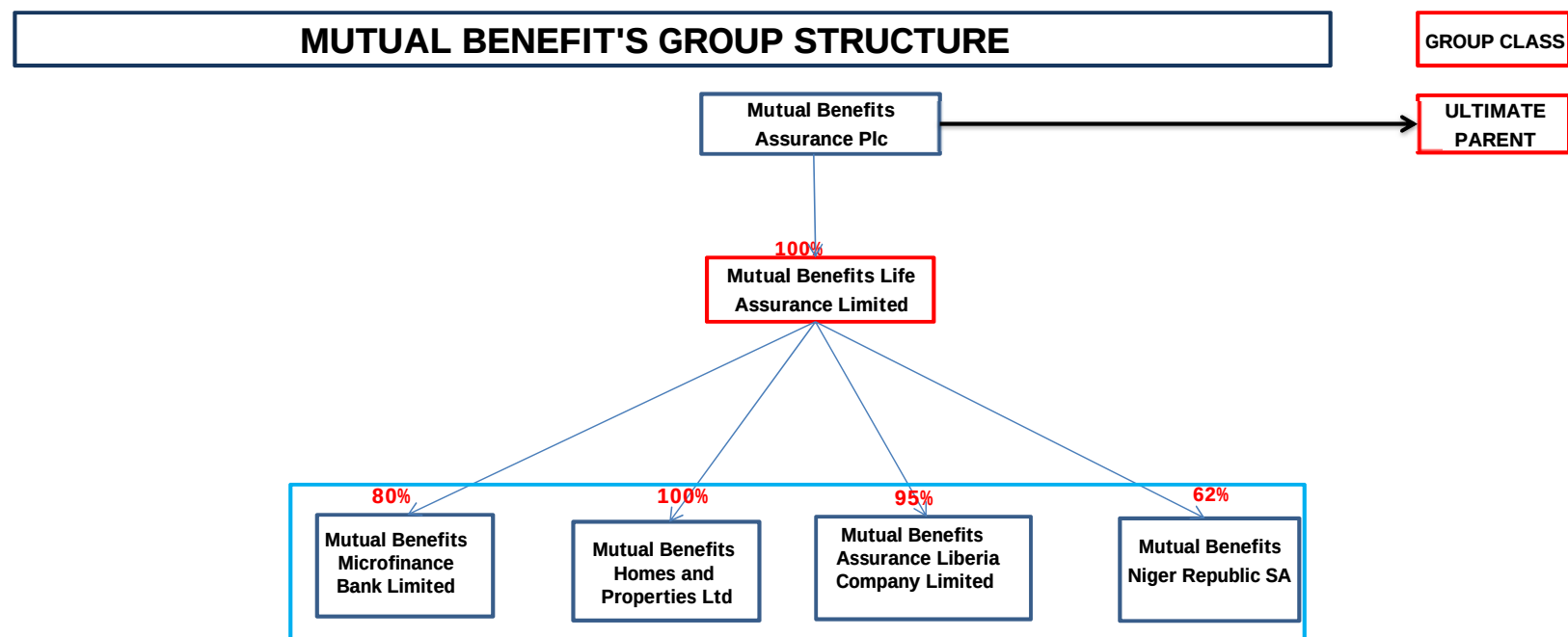
The Company's investment in subsidiaries is as stated below:

<i>in thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2019	31 Dec-2018
Mutual Benefits-Homes and Properties Ltd	20,000	20,000
Mutual Benefits-Micro Finance Bank Ltd	200,000	200,000
Mutual Benefits-Liberia Limited	464,000	464,000
Mutual Benefits-Niger Republic	301,400	301,400
	985,400	985,400
Allowance for impairment:		
Mutual Benefits-Homes and Properties Ltd	(20,000)	(20,000)
Mutual Benefits-Micro Finance Bank Ltd	(24,962)	(24,962)
Mutual Benefits-Niger Republic	(43,457)	(43,457)
	(88,419)	(88,419)
	896,981	896,981

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investments in subsidiaries



	Company name	Nature of business	Country of origin	Relationship	% of equity controlled	NCI	Note	Status	Year of control
1	Mutual Benefits Microfinance Bank	Banking	Nigeria	Direct	80%	20%	47	Acquired	Jan 2009
2	Mutual Benefits Homes and Properties Ltd	Property development	Nigeria	Direct	100%	-		Set up	Jan 2008
3	Mutual Benefits Liberia	Insurance	Liberia	Direct	95%	5%		Set up	Jan 2008
4	Mutual Benefits Niger Republic	Insurance	Niger Republic	Direct	62%	38%		Set up	Jan 2014

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework within which subsidiaries operate.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investments in subsidiaries

1 Mutual Benefits Microfinance Bank

Mutual Benefits Microfinance Bank 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 of the Company in January 2009.

2 Mutual Benefits Homes and Properties Ltd

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.

3 Mutual Benefits Liberia

Mutual Benefit Assurance Company Liberia was incorporated on 29 August 2007 and commenced Operations on 2 January 2008. It is into underwriting of all classes of non-Life and life businesses. It is 95% owned by Mutual Benefits Life Assurance Limited and the interest was transferred in 2014 from Mutual Assurance Plc.

4 Mutual Benefits Niger Republic

Mutual Benefits Niger S.A commenced operations on 2 January 2014. It is into underwriting of all classes of non-life businesses. It was 96% owned by Mutual Benefits Life Assurance Limited until 31 December 2019 when the Company issued additional 59,484 unit of shares at a price of 31942CFA totalling 1,900,000,000CFA (NGN965,010,000). The shares were taken up by other shareholders (Non controlling interest), thereby diluting the shareholding of Mutual Benefits Life Assurance Limited in the Company to 62.47%.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

29 Intangible assets

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Computer software acquired				
Cost:				
Balance at the beginning of the year	173,498	147,504	30,539	30,539
Additions	3,288	-	-	-
Foreign exchange difference	(8,687)	25,994	-	-
	168,099	173,498	30,539	30,539
Accumulated Amortization:				
Balance at the beginning of the year	134,871	118,896	29,752	28,788
Amortisation charge 14	4,138	3,807	765	964
Foreign exchange difference	2,957	12,168	-	-
	141,966	134,871	30,517	29,752
Carrying value	26,133	38,626	22	787

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL STATEMENTS - Continued

30 Property, plant and equipment (Group)

<i>in thousands of Nigerian Naira</i>	Note	Leasehold building	Land	Plant and machinery	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
As at 1 January 2018		846,089	339,282	189,438	407,532	43,192	53,853	460,552	2,339,939
Additions		162,846	28,568	34,000	50,579	16,314	27,164	-	319,471
Revaluation adjustment		74,003	-	-	-	-	-	-	74,003
Foreign exchange difference		112,389	2,248	23,173	1,779	-	18,958	-	158,548
As at 1 January 2019		1,195,327	370,098	246,611	459,891	59,507	99,975	460,552	2,891,961
Additions		25,973	-	3,865	347	2,340	13,507	4,509	50,539
Disposal		-	-	(1,080)	-	-	(782)	(3,518)	(5,380)
Foreign exchange difference		(30,780)	(77,496)	-	-	-	-	(24,838)	(133,114)
31 December 2019		1,190,520	292,601	249,396	460,237	61,846	112,699	436,705	2,804,006
Accumulated depreciation:									
As at 1 January 2018		506,675	-	168,590	287,651	35,170	33,641	310,882	1,342,609
Charge for the year		122,937	-	10,013	53,473	11,650	14,003	47,007	259,083
Foreign exchange difference		10,815	2,179	20,484	3,064	-	12,471	-	49,013
As at 1 January 2019		640,427	2,179	199,087	344,189	46,820	60,115	357,889	1,650,705
Charge for the year		59,744	-	7,877	52,423	13,327	12,805	4,094	150,270
Disposal		-	-	(1,080)	-	-	(782)	(3,518)	(5,380)
Foreign exchange difference		(8,414)	-	-	-	-	302	(11,642)	(19,753)
31 December 2019		691,758	2,179	205,884	396,612	60,147	72,439	346,823	1,775,841
Carrying amounts at:									
31 December 2019		498,763	290,423	43,512	63,626	1,700	40,260	89,882	1,028,165
31 December 2018		554,900	367,919	47,525	115,702	12,687	39,860	102,663	1,241,256

No leased assets are included in the above property, plant and equipment and the Group had no capital commitments as at 31 December 2019. The capital work-in progress is a control account for the acquisition of property, plant and equipment for which advance payments have been made but assets yet to be completed, delivered and available for use. None of the assets have been pledged as collateral.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL STATEMENTS - Continued

30 Property, plant and equipment (Company)

<i>in thousands of Nigerian Naira</i>	Leasehold building	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
Cost:					
1 January 2018	610,621	45,087	253,004	354,300	1,263,012
Additions	-	-	34,000	6,257	40,257
1 January 2019	610,621	45,087	287,004	360,557	1,303,269
Additions	-	3,773	346	12,740	16,859
Disposal	-	-	-	(2,717)	(2,717)
31 December 2019	610,621	48,860	287,350	370,580	1,317,411
Accumulated depreciation:					
1 January 2018	473,861	29,487	160,818	234,273	898,439
Charge for the year	95,275	6,727	39,095	45,674	186,771
1 January 2019	569,136	36,214	199,913	279,947	1,085,210
Charge for the year	37,228	5,255	33,145	31,825	107,453
Disposal	-	-	-	(2,717)	(2,717)
31 December 2019	606,364	41,469	233,058	309,055	1,189,946
Carrying amounts at:					
31 December 2019	4,257	7,391	54,292	61,525	127,465
31 December 2018	41,485	8,873	87,091	80,610	218,059

No leased assets are included in the above property, plant and equipment, the Company had no capital commitments as at 31 December 2019. None of the assets have been pledged as collateral.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

31 Statutory deposit

This represents amounts deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act, 2003. This amount is not available for the day-to-day use in the working capital of the Company and so it is excluded from the cash and cash equivalents. Interest earned at annual average rate of 12.96% per annum (2018: 15.37%) on statutory deposits are included in investment income (Note 9).

The deposit has been tested for adequacy as at 31 December 2019 and found to be adequate.

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Statutory deposit		200,000	200,000	200,000	200,000
		200,000	200,000	200,000	200,000

32 Deposit for investment in equity shares

<i>in thousands of Nigerian Naira</i>	Notes	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Deposit for shares in Mutual Exploration and Production Limited as at 1 January 2018			70,000		70,000
Deposit for shares in Mutual Benefits Microfinance Bank		-	-	120,000	-
Refund of deposit for shares during the year			(70,000)		(70,000)
		-	-	120,000	-

33 Insurance contract liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Outstanding claims	33.1	6,664,704	6,258,029	6,199,781	5,475,528
Unearned premiums	33.2	2,407,593	1,659,890	1,921,970	1,231,716
		9,072,297	7,917,919	8,121,751	6,707,244
Current		9,072,297	7,917,919	8,121,751	6,707,244
Non-current		-	-	-	-
		9,072,297	7,917,919	8,121,751	6,707,244

The Group engaged Zamara Consulting Actuaries Nigeria Limited (FRC/2017/NAS/00000016912) to perform an Insurance liability valuation as at 31 December 2019 for its Insurance and Investment contract businesses.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

33 Insurance contract liabilities

33.1 Outstanding claims

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Group life	33.1.1	5,071,640	4,620,016	4,985,105	4,521,067
Individual life	33.1.2	889,976	535,353	889,976	535,353
Annuity	33.1.3	324,700	419,108	324,700	419,108
Non-life	33.1.4	378,388	683,552	-	-
		6,664,704	6,258,029	6,199,781	5,475,528

33.1.1 *Group life*

Outstanding claims

Claims reported by policyholders	4,165,231	4,076,788	4,078,697	3,977,838
Claims incurred but not reported (IBNR)	906,409	543,228	906,409	543,228
	5,071,640	4,620,016	4,985,105	4,521,067

Movement in Group life outstanding claims

At 1 January	4,620,016	3,207,089	4,521,067	3,169,353
Claims incurred in the current year	4,593,829	6,159,393	4,571,157	5,893,704
Claims paid during the year	(4,142,205)	(4,746,466)	(4,107,119)	(4,541,990)
At 31 December	5,071,640	4,620,016	4,985,105	4,521,067

The aging analysis of Group life outstanding claims

0 - 90	4,165,231	4,076,788	4,078,697	3,977,838
91 - 180	-	-	-	-
181 - 270	-	-	-	-
271 - 360	-	-	-	-
361 and above	-	-	-	-
No aging - IBNR	906,409	543,228	906,409	543,228
	5,071,640	4,620,016	4,985,105	4,521,067

The ageing of the outstanding claims is measured from the date of the issuance of discharge vouchers to the reporting date for 2019 and 2018.

No. of claimants for each age range of Group life outstanding claims

<i>Number</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
0 - 90		2,123	2,050	2,123	2,050
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging - IBNR		-	-	-	-
		2,123	2,050	2,123	2,050

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

33.1 Outstanding claims - Continued

33.1.2 Individual life

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
i Outstanding claims					
Claims incurred but not reported (IBNR)		889,976	535,353	889,976	535,353
		889,976	535,353	889,976	535,353
ii Movement in individual life outstanding claims					
At 1 January		535,353	79,925	535,353	79,925
Premiums written in the year		2,158,016	1,733,446	2,158,016	1,733,446
Premiums earned during the year		(2,157,832)	(1,733,446)	(2,157,832)	(1,733,446)
Claims provision in the current year		105,132	88,848	105,132	88,848
Claims paid during the year		(105,132)	(88,848)	(105,132)	(88,848)
Changes in actuarial valuation		354,439	455,428	354,439	455,428
At 31 December		889,976	535,353	889,976	535,353
iii The aging analysis of individual life outstanding claims					
0 - 90		-	-	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging - IBNR		889,976	535,353	889,976	535,353
		889,976	535,353	889,976	535,353
3.1.3 Annuity					
i Movement in annuity					
At 1 January		419,108	397,118	419,108	397,118
Claims incurred in the current year		45,628	45,704	45,628	45,704
Claims paid during the year		(45,628)	(45,704)	(45,628)	(45,704)
Changes in actuarial valuation		(94,408)	21,990	(94,408)	21,990
At 31 December		324,700	419,108	324,700	419,108
ii The aging analysis of annuity					
0 - 90		-	-	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging		324,700	419,108	324,700	419,108
		324,700	419,108	324,700	419,108

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

33.1 Outstanding claims - Continued

33.1.4 Non-life

Movement in Non-life outstanding claims

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
At 1 January		683,552	467,720	-	-
Claims incurred in the current year		195,265	601,727	-	-
Claims paid during the year		(500,429)	(385,895)	-	-
At 31 December		378,388	683,552	-	-

ii *The aging analysis of Non-life outstanding claims*

0 - 90		378,388	683,552	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
		378,388	683,552	-	-

33.2 Unearned premiums

Group life		2,146,119	1,499,370	1,921,970	1,231,716
Non-life		261,474	160,520	-	-
		2,407,593	1,659,890	1,921,970	1,231,716

i *The movement in unearned premium*

At 1 January		1,659,890	1,794,633	1,231,716	1,510,178
Premiums written in the year	4.1	10,331,198	7,822,397	8,488,202	5,914,556
Premiums earned during the year	4.1	(9,583,495)	(7,957,140)	(7,797,948)	(6,193,018)
At 31 December		2,407,593	1,659,890	1,921,970	1,231,716

34 Investment contract liabilities

Group deposit administration		341,991	278,431	339,700	263,505
Individual deposit administration		25,924,138	24,997,830	25,924,138	24,997,830
		26,266,129	25,276,261	26,263,838	25,261,335
Current		9,962,484	9,597,137	9,962,484	9,582,211
Non-current		16,303,645	15,679,124	16,301,354	15,679,124
		26,266,129	25,276,261	26,263,838	25,261,335

The movement in deposit administration funds

Balance at the beginning of the year		25,276,261	26,564,221	25,261,335	26,551,455
Deposits received during the year		12,644,135	12,486,153	12,656,770	12,483,993
Guaranteed interest		1,899,142	1,803,613	1,899,142	1,803,613
Withdrawals during the year		(13,553,409)	(15,577,726)	(13,553,409)	(15,577,726)
Balance at the end of the year		26,266,129	25,276,261	26,263,838	25,261,335

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

35 Trade payables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Reinsurance payables	35.1	255,416	208,443	29,407	30,412
Co-Insurance payables	35.2	19,906	29,065	19,906	29,065
Deferred commission		21,188	11,276	21,188	11,276
Commission payable		70,732	92,095	34,490	48,517
Deposits for premium	35.3	820,372	572,251	820,372	572,251
		1,187,614	913,130	925,363	691,521
Current		1,187,614	913,130	925,363	691,521
Non-current		-	-	-	-
		1,187,614	913,130	925,363	691,521

35.1 The movement in reinsurance payables

Balance at the beginning of the year		208,443	149,891	30,412	19,494
Addition during the year	22.3	895,331	736,418	774,545	566,229
Payments during the year		(848,358)	(677,866)	(775,550)	(555,311)
Balance at the end of the year		255,416	208,443	29,407	30,412

35.2 The movement in co-insurance payables

Balance, beginning of the year		29,065	885,197	29,065	885,197
Addition during the year		175,893	296,890	175,893	296,890
Payments during the year		(185,052)	(1,153,022)	(185,052)	(1,153,022)
		19,906	29,065	19,906	29,065

35.3 The movement in deposit for premium

Balance at the beginning of the year		572,251	498,660	572,251	498,660
Addition during the year		383,417	505,623	383,417	505,623
Reclassified as investment contract liabilities during the year		(135,296)	(432,032)	(135,296)	(432,032)
Balance at the end of the year		820,372	572,251	820,372	572,251

Deposit for premium represents premium received on life policies and investment contracts for which the policy holders are yet to be identified at the reporting date. However, the Company employs all resources at its disposal to ensure prompt identification of the policy holders and subsequent reclassification to appropriate financial statement area as necessary.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

36 Other liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Accruals		115,370	66,436	90,085	55,991
Rent received in advance		67,862	28,950	67,862	28,950
National Insurance Commission levy		230,636	90,000	230,636	90,000
PAYE		2,850	3,722	2,679	2,557
VAT payable		376,361	293,884	102,717	48,236
WHT payable		8,869	17,377	-	8,030
Staff pension		3,574	8,023	-	4,670
ATM working capital		23,339	26,384	-	-
Amount due to related party	36.1	-	69,311	20,936	90,247
Amount due to Directors		949	1,851	949	1,851
National Housing Fund		467	4	467	4
Cooperative deductions		3,957	-	3,957	-
Sundry creditors		195,425	91,046	92,190	12,070
Deposit for facility management		42,280	41,346	42,280	41,346
Deposit for shares		120,000	-	-	-
Deposit for properties by customers		316	318	317	319
		1,192,255	738,652	655,075	384,271
Current		1,192,255	738,652	655,075	384,271
Non-current		-	-	-	-
		1,192,255	738,652	655,075	384,271

- 36.1 Amount due to related party represents the balance payable for operational transactions between the Company, its parent company and some of its subsidiaries. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are interest free and settlement occurs in cash.

37 Deposit liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Current		87,250	237,188	-	-
Time		214,574	268,919	-	-
Savings		87,816	6,046	-	-
		389,640	512,153	-	-
Current		389,640	512,153	-	-
Non-current		-	-	-	-
		389,640	512,153	-	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

38 Current income tax payable

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance, beginning of year		313,614	265,169	248,167	201,538
Current year charge:					
Company income tax		86,476	53,352	-	-
Education tax		49	836	-	-
Information technology tax		23,794	7,330	23,794	7,061
Minimum tax		1,201	64,811	1,201	64,811
	17.1	111,520	126,329	24,996	71,872
Payments during the year		(188,899)	(77,884)	(119,233)	(25,243)
Balance at the end of the year		236,235	313,614	153,930	248,167

39 Deferred tax

Deferred income tax asset	39.1	235,099	120,422	184,442	69,765
Deferred tax liabilities	39.2	(336,034)	(451,233)	-	(42,896)
Net deferred tax (liabilities)/assets		(100,935)	(330,811)	184,442	26,869

39.1 Movement in Deferred tax assets

Balance at the beginning of the year		120,422	87,528	69,765	66,981
Credit in profit or loss for the year		114,677	32,894	114,677	2,785
Balance at the end of the year		235,099	120,422	184,442	69,765

Deferred tax assets is attributable to the following:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Expected credit losses - impairment		204,826	120,422	154,169	69,765
Property, Plant and equipment		30,273	-	30,273	-
Balance, end of year		235,099	120,422	184,442	69,765

39.2 Movement in Deferred tax liabilities

Balance at the beginning of the year		451,233	357,263	42,896	31,069
(Credit)/charge in profit or loss for the year		(75,657)	(18,078)	(42,896)	11,827
Tax charge /(reversals) relating to components of other comprehensive income		(39,542)	112,048	-	-
Balance at the end of the year		336,034	451,233	-	42,896

Deferred tax liability is attributable to the following:

Property, plant and equipment		27,172	102,829	-	42,896
Foreign currency translation reserve		54,005	93,547	-	-
Investment properties		254,857	254,857	-	-
		336,034	451,233	-	42,896

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

39 Deferred tax

Unrecognised deferred tax assets

Deferred tax assets relating to the Company's life business have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the life business can use the benefits therefrom.

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Property and equipment		328,064	313,060	328,064	313,060
Tax losses		2,699,462	4,480,160	2,699,462	4,480,160
Balance, end of year		3,027,526	4,793,219	3,027,526	4,793,219

40 Share capital

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Share capital comprises:					
Authorized number of shares:					
400,000,000 (2018: 300,000,000)					
Ordinary shares of ₦1.00 each		400,000	300,000	400,000	300,000
Issued and fully paid number of shares:					
330,000,000 (2018:250,000,000)					
Ordinary shares of ₦1.00 each					
Balance at the beginning of the year		250,000	250,000	250,000	250,000
Issued during the year		80,000	-	80,000	-
Balance at the end of the year		330,000	250,000	330,000	250,000

The authorised ordinary shares were increased to 400,000,000 ordinary shares at ₦1.00 each. The issued and fully paid ordinary shares were also increased to 330,000,000 as a result of the ₦2 billion capital injected into the Company by the Mutual Benefits Assurance Plc (parent company) for 80,000,000 units of ordinary shares at ₦25 each.

41 Share premium

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2018	31 Dec-2018	31 Dec-2018	31 Dec-2018
Balance at the beginning of the year		3,750,000	3,750,000	3,750,000	3,750,000
Increase during the year		1,920,000	-	1,920,000	-
Balance at the end of the year		5,670,000	3,750,000	5,670,000	3,750,000

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution. The increase is as a result of the ₦2 billion capital injected into the Company during the year by the Mutual Benefits Assurance Plc (parent company) for 80,000,000 units of ordinary shares at ₦25 each with par value of ₦1, the excess of ₦24 per share gives rise to increase of ₦1.92 billion in share premium.

42 Foreign currency translation reserve

This comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira. Mutual Benefits Liberia Company Limited and Mutual Benefits Niger Republic SA have functional currencies other than Naira.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

43 Contingency reserve

In compliance with Section 22(1) (b) of Insurance Act 2003, the contingency reserve for life insurance business is credited with an amount equal to 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reached the amount of minimum paid up capital.

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Balance, beginning of the year	465,798	403,280	465,798	403,280
Transfer from retained earnings	251,227	62,518	251,227	62,518
Balance, end of year	717,025	465,798	717,025	465,798

44 Revaluation reserve

This is revaluation surplus in respect of building in line with the Group's accounting policies.

45 Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of fair value through other comprehensive income investments until the investment is derecognised or impaired. See statement of changes in equity for movement in fair value reserve.

46 Retained earnings

The retained earnings represents the amount available for dividend distribution to the equity shareholders of the Company. See statement of changes in equity for movement in retained earnings.

47 Non-controlling interests in equity

<i>in thousands of Nigerian Naira</i>	Notes	GROUP	
		31 Dec-2019	31 Dec-2018
Opening balance		174,699	189,347
Increase in non-controlling interest	47.1	965,010	-
Dividend		-	(49,059)
Share from total comprehensive income		(38,862)	34,411
Balance as at year end		1,100,847	174,699

- 47.1 During the year, the Company's subsidiary, Mutual Benefits Assurance Niger SA issued additional 59,484 unit of shares at a price of 31942CFA totalling 1,900,000,000CFA (NGN965,010,000). The shares were taken up by other shareholders (Non controlling interest), thereby diluting the shareholding of Mutual Benefits Life Assurance Limited in the Company to 62.47%.

The table below summarises the information relating to the Group's subsidiaries that have material Non-Controlling Interest (NCI) before any intra-group eliminations.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

47.1 Non-controlling interests in equity

		Mutual Benefits Microfinance Bank Ltd		Mutual Benefits Niger SA	
		GROUP		GROUP	
<i>in thousands of Nigerian Naira</i>	Notes	31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
NCI percentage		20%	20%	38%	4%
Cash and cash equivalents		412,546	51,897	1,826,979	800,532
Loans and receivables		195,261	603,629	-	-
Other receivables		11,793	40,236	46,105	1,050,233
Intangible assets		3,902	3,073	22,208	34,766
Reinsurance assets		-	-	363,714	431,911
Trade receivables		-	-	156,671	255,548
Property, plants and equipment		22,722	33,883	485,420	570,981
Insurance contract liabilities		-	-	(633,150)	(837,250)
Trade payables		-	-	(260,315)	(219,674)
Other liabilities		(286,868)	(61,423)	(135,780)	(67,434)
Deposit liabilities		(389,640)	(512,153)	-	-
Current income tax liabilities		(16,097)	(17,493)	-	-
Deferred tax liabilities		(3,424)	(5,643)	-	-
Net (liabilities)/assets		(49,804)	136,006	1,871,852	2,019,615
Carrying amount of NCI		(9,961)	27,201	702,506	80,785
Underwriting profit		-	-	600,361	569,802
Income		288,835	397,269	72,803	50,687
Expenses		(468,383)	(370,510)	(485,999)	(497,151)
Profit/(loss) before tax		(179,549)	26,759	187,165	123,339
Profit/(loss) after tax		(185,809)	23,116	122,764	75,989
Profit/(loss) allocated to NCI		(42,736)	5,317	9,821	17,477
Cash flows from operating activities		125,268	(62,371)	1,048,979	115,230
Cash flows from investing activities		2,415	(17,505)	(22,533)	(148,512)
Cash flows from financing activities		240,000	-	-	-
Net increase/(decrease) in cash and cash equivalents		367,683	(79,875)	1,026,446	(33,282)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

48 Reconciliation of profit before income tax to cash flows provided by operating activities:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Profit before income tax		2,462,082	744,429	2,379,678	706,093
<i>Adjustments for non-cash items:</i>					
Interest income on financial assets at FVTPL		(208,059)	(6,340)	(208,059)	(6,340)
Impairment charge on loans and receivables	12	315,804	109,646	258,780	9,282
Amortisation of deferred acquisition costs		838,148	660,044	641,176	453,047
Depreciation of property, plant and equipment (PPE)	30	150,270	259,083	107,453	186,771
Amortisation of intangible assets	29	4,138	3,807	765	964
Interest income		(270,329)	(327,860)	-	-
Interest expenses		50,964	46,199	-	-
(Gain)/loss on disposal of PPE	11/15	(1,824)	-	(137)	-
Fair value loss on Financial assets at FVTPL	10	(549,450)	24,528	(549,450)	24,528
Foreign exchange gain on cash and cash equivalents		(25,163)	(40,379)	(5,395)	(19,778)
Fair value loss on assets held for sale	26	-	7,000	-	7,000
Fair value loss on investment properties	27	20,000	-	20,000	-
Loss on disposal of investment property		-	2,500	-	2,500
Impairment of goodwill		1,543	-	-	-
Amortisation of bond premium		48,223	10,949	48,223	10,949
Cash flows from operating activities before changes in operating assets and liabilities		2,836,346	1,493,607	2,693,034	1,375,016
Changes in operating assets and liabilities					
Trade receivables		278,845	(174,955)	248,097	(248,097)
Reinsurance assets		(423,652)	(698,308)	(492,627)	(565,132)
Other receivables and prepayments		(1,956,022)	(954,030)	(2,227,353)	(1,048,317)
Deferred acquisition costs		(904,990)	(591,328)	(708,018)	(384,334)
Finance lease receivables		-	11,011	-	11,011
Loans and receivables		(1,661,411)	(2,190,182)	(2,071,220)	(2,094,320)
Provision for unearned premium		747,703	(134,742)	690,254	(278,462)
Inventories		82,080	389,586	-	-
Provision for outstanding claims		406,675	2,106,177	724,253	1,829,132
Investment contract liabilities		989,868	(1,287,960)	1,002,503	(1,290,120)
Trade payables		274,484	(916,893)	233,842	(970,441)
Other payables		402,634	(388,585)	270,804	(259,388)
Deposit liabilities		(122,513)	252,885	-	-
Income tax paid	38	(188,899)	(77,884)	(119,234)	(25,243)
<i>Net cash flows from/(used in) operating activities</i>		761,149	(3,161,601)	244,335	(3,948,695)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

49 Supplementary statement of profit or loss information

- i 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:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
₦220,001 - ₦720,000		45	135	1	12
₦720,001 - ₦1,400,000		57	82	27	49
₦1,400,001 - ₦2,050,000		48	33	39	16
₦2,050,001 - ₦2,330,000		1	18	1	12
₦2,330,001 - ₦2,840,000		21	11	17	10
₦2,840,001 - ₦3,000,000		5	1	3	1
₦3,000,001 - ₦4,500,000		14	19	13	10
₦4,500,001 - ₦5,950,000		9	9	8	9
₦5,950,001 - ₦6,800,000		1	1	-	-
₦6,800,001 - ₦7,800,000		3	4	3	4
₦7,800,001 - ₦8,600,000		5	6	5	6
₦8,600,001 - ₦11,800,000		9	7	8	5
Above ₦11,800,000		7	9	5	7
Balance, end of year		225	335	130	141

The average number of full time persons employed by the Group during the year was as follows:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Executive Directors		7	5	2	2
Management staff		58	55	42	41
Non management staff		167	280	88	100
		232	340	132	143

ii Directors' remuneration:

Remuneration paid to the directors of the Company was as follows:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Executive compensation		159,092	87,998	55,757	55,757
Other directors expenses		26,606	21,675	14,875	21,675
		185,698	109,673	70,632	77,432

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

49 Supplementary statement of profit or loss information - Continued

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Chairman		3,000	3,000	2,000	2,000
Highest paid director		67,302	63,698	55,757	55,757

The emoluments of all other directors fell within the following range:

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
N500,000- N1,500,000		8	8	1	1
Above N2,000,000		-	-	-	-
		8	8	1	1

50 Related parties

Parent

Mutual Benefits Assurance Plc (incorporated in Nigeria) is the ultimate parent of the Group.

Subsidiaries

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

Transactions with key management personnel

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

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

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Key management compensation					
Salaries and other short-term benefits		159,092	87,998	55,757	55,757
Directors fees and allowance		8,050	8,050	8,050	8,050
Defined contribution pension		2,400	2,400	2,400	2,400
Other directors expenses		30,000	30,000	30,000	30,000
		199,542	128,448	96,207	96,207

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

50 Related parties - Continued

Transactions with key management personnel

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2019	31 Dec-2018	31 Dec-2019	31 Dec-2018
Loans and advances to Directors					
Balance at 1 January		5,126	22,050	5,126	22,050
Granted during the year		-	-	-	-
Repayments		(3,671)	(16,924)	(3,671)	(16,924)
Impact of foreign exchange rate changes					
At 31 December		1,455	5,126	1,455	5,126
Interest earned		3,679	3,783	3,679	3,783

Loans to key management personnel include mortgage loans which are given under terms that are no more favourable than those given to other staff. Mortgage loans are secured by the underlying assets.

No impairment write-offs have been recognised in respect of loans given to key management personnel (2018:Nil).

<i>Loans and advances to subsidiary</i>	2019	2018
	₦'000	₦'000
Mutual Homes and Properties Limited	221,340	319,427

<i>in thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2019	31 Dec-2018
Granted during the year	-	-
Repayment	(98,087)	(320,000)
Interest earned	-	-

During the year, the Group carried out transactions with some entities related to it. Details of these transactions and outstanding balances are stated below:

Name of related party

in thousands of Nigerian Naira	Nature of relationship	Type of transactions	COMPANY	
			31 Dec-2019	31 Dec-2018
Receivables				
Mutual Benefits Homes & Properties Ltd	Subsidiary	Loans	221,340	319,427
Mutual Benefits Microfinance Bank Ltd	Subsidiary	Current account	5,733	7,551
Mutual Benefits Microfinance Bank Ltd	Subsidiary	Fixed deposits	-	111,144
Prime Exploration and Production Limited	Directors	Loans	10,070,981	10,162,578
Payable				
Mutual Benefits Assurance Plc	Parent	Intercompany	66,809	69,310
Mutual Benefits Liberia	Subsidiary	Intercompany	20,936	20,936
Interest income				
Prime Exploration and Production Limited	Directors	Loan	2,232,636	2,235,767

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

51 Contingent liabilities

Litigation and claims

The Company is presently involved in three litigations with estimated claims of ₦39,937,544 (2018, 3: ₦1,021,856). In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2019.

ii *Capital commitments*

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the Company's state of financial affairs have been taken into account in the preparation of these consolidated and separate financial statements.

52 Event after the reporting date

There were no events after the reporting date that requires disclosure or adjustment in the consolidated and separate financial statements that has not been disclosed or adjusted. Management has assessed the impact of the COVID-19 on the going concern of the Group and has concluded that the use of the going concern is appropriate and that the Group will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next 12 months.

From the beginning of the year 2020, the Coronavirus disease (COVID-19) outbreak across China and beyond has caused significant disruption to the society, impacting the Group, its employees and customers.

In Nigeria it is an evolving situation and the Group is monitoring closely, any impact will depend on future developments which are highly uncertain, and the Group is still quantifying the impact.

The current lockdown of Nigeria due to the virus could adversely affect the result of operations and financial position in 2020. The impact of the outbreak on key macroeconomic indicators will be taken into consideration when determining the estimate ECL under IFRS 9 in 2020.

The Group has performed a line-by-line analysis of its balance sheet and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2019. Management has concluded however that the amounts recognised in the financial statements do not require further adjustment but will continue to monitor the situation as new information becomes available and any necessary adjustments as a result will be reflected in the appropriate reporting period.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (STATEMENT OF VALUE ADDED)

For the year ended 31 December in thousands of Nigerian Naira	GROUP				COMPANY			
	2019	%	2018	%	2019	%	2018	%
Gross premium written	10,331,198		7,822,397		8,488,202		5,914,556	
Net benefits and claims	(3,699,635)		(4,678,837)		(3,176,645)		(4,088,467)	
Premiums ceded to reinsurers	(873,975)		(707,902)		(753,189)		(537,713)	
Other local charges	(3,199,561)		(1,810,802)		(2,372,482)		(1,155,916)	
Fees and commission income	134,558		103,092		131,570		96,536	
	2,692,585		727,948		2,317,456		228,996	
Investment income	1,205,789		1,107,465		1,106,055		1,161,210	
Value added	3,898,374		1,835,413		3,423,511		1,390,206	
Applied to pay:								
Employee benefits	1,185,065	30	1,028,469	56	792,606	23	621,595	45
Government as tax	111,520	3	126,326	7	24,996	1	71,872	5
Retained in the business:								
Contingency reserve	251,227	6	62,518	3	251,227	7	62,518	4
Deferred tax	(190,334)	-5	(50,972)	-3	(157,573)	-5	9,045	1
Retained profit for the year	2,571,410	66	648,193	35	2,512,255	73	625,176	45
Non-controlling interests	(30,514)	-1	20,879	1				
Value added	3,898,374	100	1,835,413	100	3,423,511	100	1,390,206	100

Value added statement represents the wealth created by the efforts of the Group and its employees' efforts based on ordinary activities and the allocation of that wealth being created between employees, shareholders, government and that retained for the future creation of more wealth.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 2 - FIVE-YEAR FINANCIAL SUMMARY

Group - Statement of financial position

As at

in thousands of Nigerian Naira

	31 Dec-2019	31 Dec-2018	31 Dec-2017	31 Dec-2016	31 Dec-2015
ASSETS					
Cash and cash equivalents	4,674,079	3,030,386	5,096,361	6,929,420	9,904,869
Financial assets:					
Available-for-sale investment securities	-	-	827,972	827,822	693,036
Equity instruments at fair value through OCI	288,125	676,806	-	-	-
Loans and receivables	10,904,152	11,552,741	11,612,559	11,639,228	11,039,430
Held-to-maturity	-	-	12,382,363	6,183,731	-
Debt Instruments at amortised cost	18,120,383	14,885,306	-	-	-
Financial assets at Fair value through P/L	4,291,374	487,230	-	-	-
Trade receivables	247,231	526,076	351,121	359,622	143,934
Reinsurance assets	2,490,864	2,067,212	1,368,904	814,046	190,411
Other receivables and prepayments	985,258	1,064,364	588,007	655,490	848,728
Finance lease receivables	-	-	11,011	272,084	376,138
Deferred acquisition costs	171,230	104,388	173,101	105,285	60,811
Inventories	436,156	518,236	907,822	1,332,864	1,533,164
Assets held for sale	-	5,550,000	-	-	-
Investment properties	6,875,000	1,420,000	8,510,000	8,670,390	8,675,665
Intangible assets	26,133	38,626	28,608	40,224	32,342
Property, plant and equipment	1,028,165	1,241,256	997,330	871,654	813,166
Deposit for investment in equity shares	-	-	70,000	70,000	140,000
Deferred tax assets	235,099	120,422	-	5,821	6,007
Goodwill	-	1,543	1,543	1,543	1,543
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Total assets	50,973,249	43,484,592	43,126,702	38,979,224	34,659,244
LIABILITIES					
Insurance contract liabilities	9,072,297	7,917,919	5,946,484	3,579,141	2,116,805
Investment contract liabilities	26,266,129	25,276,261	26,564,221	25,956,771	24,217,581
Trade payables	1,187,614	913,130	1,830,023	817,723	538,906
Other liabilities	1,192,255	738,652	1,081,038	1,510,274	1,213,694
Deposit for shares	-	-	-	-	2,000,000
Deposit liabilities	389,640	512,153	259,268	203,845	509,867
Current income tax liabilities	251,196	313,614	265,169	286,110	203,452
Deferred tax liabilities	336,035	451,233	357,264	417,513	415,136
Total liabilities	38,695,166	36,122,962	36,303,467	32,771,377	31,215,441

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 2 - FIVE-YEAR FINANCIAL SUMMARY

Group - Statement of financial position

As at

<i>in thousands of Nigerian Naira</i>	31 Dec-2019	31 Dec-2018	31 Dec-2017	31 Dec-2016	31 Dec-2015
EQUITY					
Share capital	330,000	250,000	250,000	250,000	150,000
Share premium	5,670,000	3,750,000	3,750,000	3,750,000	1,850,000
Foreign currency translation reserve	938,821	1,116,284	911,064	906,502	185,583
Contingency reserve	715,529	465,798	403,280	353,645	310,130
Revaluation reserve	180,736	180,736	128,008	-	-
Fair value reserve	(537,547)	(148,866)	-	-	-
Retained earnings	3,879,697	1,572,979	1,191,536	824,093	820,936
Shareholders' funds	11,177,237	7,186,931	6,633,888	6,084,240	3,316,649
Owners of the parent	11,177,236	7,186,931	6,633,888	6,084,240	3,316,649
Non-controlling interests in equity	1,100,847	174,699	189,347	123,607	127,154
Total equity	12,278,083	7,361,630	6,823,235	6,207,847	3,443,803
Total liabilities and equity	50,973,249	43,484,592	43,126,702	38,979,224	34,659,244
Group- Statement of profit or loss					
For the year ended					
Gross premium written	10,331,198	7,822,397	6,738,905	5,556,764	4,056,566
Premium earned	9,583,495	7,957,140	6,366,687	5,321,790	3,570,717
Profit before income tax	2,462,082	744,429	486,006	186,386	149,745
Income tax expense	63,853	(75,357)	(68,769)	(136,040)	(54,848)
Profit after income tax	2,525,935	669,072	417,237	50,346	94,897
Transfer to contingency reserve	-	(62,518)	(49,635)	(43,515)	(33,377)
Earnings per share- Basic (kobo)	1,010	259	18	18	50

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 2 - FIVE-YEAR FINANCIAL SUMMARY

Company - Statement of financial position

As at

in thousands of Nigerian Naira

	31 Dec-2019	31 Dec-2018	31 Dec-2017	31 Dec-2016	31 Dec-2015
ASSETS					
Cash and cash equivalents	2,081,656	1,926,187	4,151,584	6,157,695	9,410,464
Financial assets:					
Available-for-sale investment securities	-	-	716,472	716,472	609,036
Equity instruments at fair value through OCI	216,059	604,740	-	-	-
Loans and receivables	10,042,114	10,378,981	10,854,661	11,193,259	11,034,276
Held-to-maturity	-	-	12,382,363	6,183,731	-
Debt instruments at amortised cost	18,120,383	14,885,306	-	-	-
Financial assets at Fair value through P/L	4,291,374	487,230	-	-	-
Trade receivables	-	248,097	-	-	-
Reinsurance assets	2,127,927	1,635,300	1,070,169	771,068	185,776
Other receivables and prepayments	751,979	672,714	449,538	521,088	534,055
Deferred acquisition costs	171,230	104,388	173,101	105,285	60,811
Finance lease receivables	-	-	11,011	181,810	317,930
Assets held for sale	-	5,550,000	-	-	-
Investment properties	6,875,000	1,420,000	8,510,000	8,670,390	8,675,665
Investments in subsidiaries	896,981	896,981	896,981	896,981	896,981
Intangible assets	22	787	1,751	3,603	5,870
Property, plant and equipment	127,465	218,059	364,573	505,381	533,493
Deposit for shares	120,000	-	70,000	70,000	140,000
Deferred tax assets	184,442	26,869	-	(58,044)	(54,260)
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Total assets	46,206,632	39,255,639	39,852,204	36,118,719	32,550,097
LIABILITIES					
Insurance contract liabilities	8,121,751	6,707,244	5,156,574	3,210,013	1,844,111
Investment contract liabilities	26,263,838	25,261,335	26,551,455	25,944,127	24,208,510
Trade payables	925,363	691,521	1,661,962	753,318	514,866
Other liabilities	655,075	384,271	643,659	704,377	626,431
Deposit for shares	-	-	-	-	2,000,000
Current income tax liabilities	168,891	248,167	201,538	215,791	135,183
Deferred tax liabilities	-	-	31,069	58,046	54,260
Total liabilities	36,134,918	33,292,538	34,246,257	30,885,672	29,383,361
EQUITY					
Share capital	330,000	250,000	250,000	250,000	150,000
Treasury shares	5,670,000	3,750,000	3,750,000	3,750,000	1,850,000
Contingency reserve	715,529	465,798	403,280	353,645	310,130
Fair value reserve	(500,413)	(111,732)	-	-	-
Retained earnings	3,856,598	1,609,035	1,202,667	937,446	910,866
Total equity	10,071,714	5,963,101	5,605,947	5,291,091	3,220,996
Total liabilities and equity	46,206,632	39,255,639	39,852,204	36,176,763	32,604,357

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 2 - FIVE-YEAR FINANCIAL SUMMARY

Company - Statement of profit or loss

For the year ended

in thousands of Nigerian Naira

	31 Dec-2019	31 Dec-2018	31 Dec-2017	31 Dec-2016	31 Dec-2015
Gross premium written	8,488,202	5,914,556	4,963,517	4,351,455	3,337,711
Premium earned	7,797,948	6,193,018	4,637,470	4,123,068	2,906,011
Profit before income tax	2,379,678	706,093	346,807	156,862	151,832
Income tax expense	117,616	(80,917)	(31,950)	(86,767)	(44,586)
Profit after income tax	2,497,294	625,176	314,857	70,095	107,246
Transfer to contingency reserve	(249,731)	(62,518)	(49,635)	(43,515)	(33,377)
Earnings per share- Basic (kobo)	987	250	126	28	71