

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
Lagos, Nigeria

**ANNUAL REPORT
AND
AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

Chairman	Mr. Soye Olatunji	Non-Executive Director
Directors	Mr. Ademola Ifagbayi Mr. Femi Asenuga Mr. Hakeem Oguntola Mr. Adebisi Ashiru-Mobolaji* *Appointed as Acting Managing Director with effect from 29 April 2022	Acting Managing Director - Resigned W.E.F 11 April 2022 Non-Executive Director Non-Executive Director Non-Executive Director-Appointed W.E.F 26 July 2021
Registered Office	Aret Adams House 233 Ikorodu Road, Ilupeju Lagos	
Auditor	Ernst & Young UBA House, 10 th and 13 th 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

REPORT OF THE DIRECTORS

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MUTUAL BENEFITS LIFE ASSURANCE LIMITED
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December

<i>In thousands of Nigerian Naira</i>	GROUP			COMPANY		
	2021	2020	%	2021	2020	%
Gross premium written	15,504,971	10,776,337	44	11,617,005	8,433,063	38
Gross premium income	13,738,773	11,029,611	25	10,079,103	8,525,403	18
Net premium income	12,774,989	9,942,279	28	9,375,479	7,578,058	24
Net underwriting income	12,858,535	10,143,937	27	9,444,162	7,757,587	22
Underwriting profit	2,879,988	2,723,029	6	1,375,807	1,790,919	(23)
(Loss)/profit before income tax	(2,784,431)	3,159,697	(188)	(3,172,827)	3,137,885	(201)
(Loss)/profit for the year	(2,977,213)	3,246,353	(192)	(3,210,421)	3,384,814	(195)
Basic and diluted (loss)/earnings per share (kobo)	(39)	41		(40)	42	

STATEMENT OF FINANCIAL POSITION
As at 31 December

<i>In thousands of Nigerian Naira</i>	GROUP			COMPANY		
	2021	2020	%	2021	2020	%
Total assets	62,333,593	58,714,547	6	54,057,696	52,482,638	3
Insurance contract liabilities	13,506,488	10,143,681	33	11,722,189	8,871,956	32
Investment contract liabilities	30,178,616	28,447,267	6	30,178,616	28,447,267	6
Shareholders' funds	11,915,415	14,344,928	(17)	10,226,886	13,163,031	(22)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors has the pleasure of presenting its report on the affairs of the Mutual Benefits Life Assurance Limited ("the Company"), and its subsidiaries collectively ("the Group") to the Shareholders together with the Group's and the Company's Audited Financial Statements and the auditor's report for the year B19ended 31 December 2021.

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.

The MUTUAL Group's products and services are as follows:

LIFE INSURANCE PRODUCTS

Group Life Assurance
Credit Life Assurance
Mortgage Protection Policy
Keyman Assurance Policy
Term Assurance Policy
Individual Savings and Protection Plan
Personal Pension and Investment Plan
Mutual Multilife Shield
Mutual Longevity Shield Plan
Mutual Dignity Plan
Anticipated Endowment Policy

OPERATING RESULTS

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

	Group	Group		Company	Company
<i>In thousands of Nigerian Naira</i>	2021	2020		2021	2020
Gross Premium Written	15,504,971	10,776,337		11,617,005	8,433,063
(Loss)/Profit before income tax	(2,784,431)	3,159,697		(3,172,827)	3,137,885
Income tax (charge)/credit	(192,782)	86,656		(37,594)	246,929
(Loss)/profit for the year	(2,977,213)	3,246,353		(3,210,421)	3,384,814
Shareholders' funds	11,915,415	14,344,928		10,226,886	13,163,031

DIVIDENDS

The Board of Directors have not recommended any dividend for the year 2021 (2020: 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. Femi Asenuga	Non-Executive Director
Mr. Hakeem Oguntola	Non-Executive Director
Mr. Ademola Ifagbayi	Acting Managing Director - Resigned W.E.F 11 April 2022
Mr. Adebisi Ashiru Mobolaji	Non-Executive Director-Appointed W.E.F 26 July 2021

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

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 301 of the Companies and Allied Matters Act, 2020.

	DIRECT	INDIRECT		DIRECT	INDIRECT
	2021	2020		2021	2020
Mr. Soye Olatunji	NIL	NIL		NIL	NIL
Mr. Femi Asenuga	NIL	NIL		NIL	NIL
Mr. Hakeem Oguntola	NIL	NIL		NIL	NIL
Mr. Ademola Ifagbayi	NIL	NIL		NIL	NIL
Mr. Adebisi Ashiru Mobolaji	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 2021 (2020: 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. Adebisi Ashiru-Mobolaji was appointed as a Non-Executive Director on 26 July 2021. There was no resignation during the year under review.

DIRECTORS' INTEREST IN CONTRACTS

In compliance with Section 303 of the Companies and Allied Matters Act, 2020, 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 29 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 in 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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS REMUNERATION - continued

Remuneration	Description	Timing
*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 N600,000 (2020:N2,500,000) 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 donations and charitable gifts are as stated below:

Organisations:	2021	2020
	N	N
Sponsorship of Police Badminton Championship	500,000	-
Support for the 2021 AGM of Nigerian Medical Association, Ekiti State Branch	100,000	-
Industry support to the nation on COVID 19 through NIA	-	2,500,000
TOTAL	600,000	2,500,000

BENEFICIAL OWNERSHIP

The following shareholder held 5% or more of the issued and paid up shares of the Company as at 31 December 2021:

Name of Holder	Country of Incorporation	No. of Shares	Percentage of ₦1.00 Each Shareholding.
Mutual Benefits Assurance Plc	Nigeria	7,978,250,000	99.70

EVENT AFTER THE REPORTING DATE

As disclosed in Note 50 to the consolidated and separate financial statements, there were no events after the reporting date which could have a material effect on the financial position of the Group and the Company as at 31 December 2021 which have not been recognised or disclosed.

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	75	30	71	29
Gender analysis of Board and Top Management is as follows:				
Board	5	-	100	-
Top Management	4	1	80	20

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

EMPLOYMENT AND HUMAN RESOURCES (HR) MATTERS - Continued

Gender Analysis

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

		Male Number	Female Number	Male %	Female %
Controller		7	-	100	-
Assistant General Manager		1	1	50	50
Deputy General Manager		1	-	100	-
Chief Executive Officer		1	-	100	-
Non-Executive Director		4	-	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.

(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.

AUDITOR

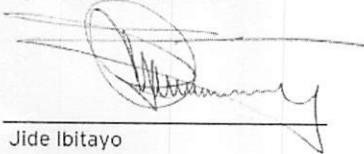
The Auditor, Messrs. Ernst & Young indicated their willingness to continue in office as auditors in accordance with Section 401(1) of the Companies and Allied Matters Act, 2020.

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 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: 29 April 2022

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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, the National Code of Good Corporate Governance 2018, issued by the Financial Reporting and the sectoral Guidance issued by the National Insurance Commission (NAICOM). The National Code 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 five (5) Directors, made up of one (1) Executive Director and four (4) 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 318(3) of the Companies and Allied Matters Act, 2020, the record of Director's attendance and meetings held during year 2021 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.

(a) RECORD OF DIRECTORS' ATTENDANCE

DIRECTORS	11-03-2021	29-03-2021	27-10-2021	TOTAL
Mr. Soye Olatunji	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr Ademola Ifagbayi	✓	✓	✓	3
Mr Adeblyi Ashiru Mobolaji	NA	NA	✓	1

✓	Attended	X	Absent
NA	Not Applicable		

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 three members namely: Mr Femi Asenuga, Mr. Hakeem Oguntola, and Mr Ademola Ifagbayi.

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 Hakeem Oguntola Chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	10-03-2021	26-07-2021	26-10-2021	TOTAL
Mr. Femi Asenuga	✓	✓	✓	3
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr. Ademola Ifagbayi	✓	✓	✓	3

(ii). The Governance/Personnel Committee

The Governance / Personnel Committee comprises three members: Mr Femi Asenuga, Mr. Hakeem Oguntola and Mr. Ademola Ifagbayi. The Committee is chaired by Mr Femi Asenuga

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	10-03-2021	26-07-2021	26-10-2021	TOTAL
Mr. Femi Asenuga	✓	✓	✓	3
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr. Ademola Ifagbayi	✓	✓	✓	3

(iii) Audit & Risk Management Committee

The Committee is made up of four (4) members namely, Mr Hakeem Oguntola, Mr Femi Asenuga, Mr. Adebisi Ashiru Mobolaji and Mr Ademola Ifagbayi. 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 is tasked with the oversight function on accounting and financial reporting, liaising with the external auditors and ensuring regulatory compliance, and monitoring the effectiveness of internal control processes of the Company. 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	3/9/2021	7/23/2021	10/25/2021	TOTAL
Mr. Hakeem Oguntola	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3
Mr Ademola Ifagbayi	✓	✓	✓	3
Mr. Adebisi Ashiru Mobolaji	N/A	N/A	✓	1

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 by the following principles:

- The Company will not take any action that will compromise its integrity
- The Company will at all times comply with all government regulations and uphold best international practice.
- The Company will build an enduring risk culture, which shall pervade the entire organisation.
- The Company will at all times hold a balanced portfolio and adhere to guidelines on investment issued by regulator and the Finance Investment and Strategy Committee of the Board.
- The Company will ensure that there is adequate reinsurance in place for its businesses and the 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

- 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 risks above management's limit for adequacy of reinsurance and Company's participation.
- Review and recommend for approval of the Board, risk management procedures and controls for new products and services.

(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 goals of the Company.

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

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

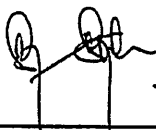
REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2021

To the members of Mutual Benefits Life Assurance Limited

In accordance with the relevant provisions of the Companies and Allied Matters Act, 2020, 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 404(7) of the Companies and Allied Matters Act, 2020 and we acknowledge that the scope and planning of both the external and internal audits for the year ended 31 December 2021 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

Date: 29 April 2022

Members of the Audit & Risk Management Committee are:

- 1 Hakeem Oguntola
- 2 Femi Asenuga
- 3 Adebisi Ashiru Mobolaji
- 4 Ademola Ifagbayi

Secretary to the Committee

Babajide Ibitayo

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

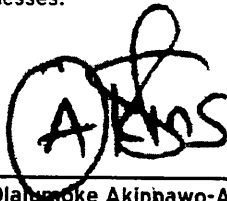
**STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

In line with the provision of Section 405 of Companies and Allied Matter Act 2020, we have reviewed the audited financial statements of the Group and the Company for the year ended 31 December 2021 based on our knowledge confirm as follows:

- i The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading.
- ii The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Group and the Company as of and for the year ended 31 December 2021.
- iii The Company's internal controls for the year 2021 have been designed to ensure that all material information relating to the Company and its subsidiaries is received and provided to the Auditors in the course of the audit.
- iv The Company's and subsidiary internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2021.

That we have disclosed to the Company's Auditor and Audit Committee the following information:

- a there are no significant deficiencies in the design or operation of the group internal controls which could adversely affect the bank's ability to record, process, summarise and report financial data, and have discussed with the auditor any weaknesses in internal controls observed in the course of Audit.
- b there is no fraud involving management or other employees which could have any significant role in the group internal control.
- v There are no significant changes in internal controls or in the other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.



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

Date: 29 April 2022



Mr. Adebisi Ashiru-Mobolaji
Acting Managing Director
FRC/2022/PRO/DIR/003/088589

Date: 29 April 2022

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 2021

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view of the statement of financial position of the Group and the Company at the end of the year and of its profit or loss and other comprehensive income as required by the Companies and Allied Matters Act, 2020 and the Insurance Act, 2003. The responsibilities include ensuring that the Company:

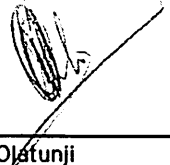
- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and the Company and comply with the requirements of the Companies and Allied Matters Act and the Insurance Act;
- b) establishes adequate internal controls to safeguard its assets and to 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, which are all consistently applied.

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

- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- the requirement of the Insurance Act 2003,
- relevant guidelines and circulars issued by the National Insurance Commission (NAICOM)
- the requirements of the Companies and Allied Matters Act, 2020; and
- the Financial Reporting Council of Nigeria Act No 6, 2011.

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.

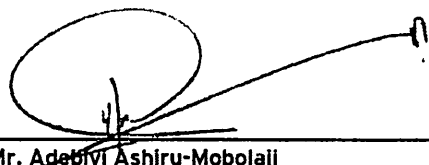
Nothing has come to the attention of the Directors to indicate that the Group and the Company will not remain a going concern for at least twelve months from the date of this statement.



Mr. Soye Olatunji
Chairman

FRC/2013/ICAN/00000004720

Date: 29 April 2022



Mr. Adediji Ashiru-Mobolaji
Acting Managing Director

FRC/2022/PRO/DIR/003/088589

Date: 29 April 2022



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED

Report on the Audit of the 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 2021, 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 a summary of significant accounting policies and notes to the consolidated and separate financial statements.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, 2020, 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 Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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 Consolidated and Separate 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 consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED - Continued

Key Audit Matters- continued

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements

Key Audit Matter	How the matter was addressed in the audit
<u>Adequacy of valuation of Insurance Contract Liabilities</u> This is an area that involves significant judgement over uncertain future outcomes and therefore we considered it a key audit matter for our audit. The Group has insurance contract liabilities of ₦13.51 billion (Dec 2020: ₦10.14 billion), out of which included outstanding claims of ₦9.59 billion (Dec 2020: ₦7.99 billion) as at 31 December 2021 representing 20% (Dec 2020: 18%) of the Group's total liabilities. The Group engaged an independent actuary to ensure the adequacy of the estimated outstanding claims and unearned premium which comprised the insurance contract liabilities by performing an actuarial valuation at year-end. The complexity of the valuation models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Economic assumptions such as interest rates and future inflation rates and actuarial assumptions such as customer behavior and uniform risk occurrence throughout the year are key inputs used to determine these liabilities. Significant judgement is applied in setting these assumptions. Insurance contract liabilities are disclosed in Note 32 to the consolidated and separate financial statements.	▪ We reviewed and documented management's process for estimating life policy benefits. ▪ We assessed the design of internal controls over the integrity of underwriting and claims data in the system as well as over the reserving and claims processes. ▪ We performed file reviews of specific underwriting contracts in order to maximize our understanding of the book of business and validate initial loss estimates. ▪ We tested subsequent year claim payments to confirm the reasonableness of the initial loss estimates. With the assistance of our in-house actuarial specialists, we performed the following audit procedures on the Company's actuarial reports: ▪ We considered the appropriateness of the economic assumptions used in the valuation of the insurance contracts with reference to the Company's and industry's data and expectations of investment returns, and expense developments. ▪ We considered the appropriateness of the non-economic assumptions used in the valuation of the insurance contracts by reference to Company-specific and industry data. ▪ We assessed the competence and objectivity of the Company's independent actuary, confirming they are qualified and affiliated with the appropriate industry bodies.



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED – Continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mutual Benefits Life Assurance Limited's Annual Report and Annual Consolidated and Separate Financial Statements for the year ended 31 December 2021", which includes the Corporate Information, the Financial Highlights, the Report of the Directors, the Corporate Governance Report, Report of the Statutory Audit Committee, Statement of Corporate Responsibility, Statement of Directors' responsibilities and Other National Disclosures as required by the Companies and Allied Matters Act, 2020 and Financial Reporting Council of Nigeria Act No. 6, 2011 and the Corporate Governance Report as required by NAICOM, which we obtained prior to the date of this report. 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, 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.

Responsibilities of the Directors' for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), and the relevant provisions of the Companies and Allied Matters Act, 2020, 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 financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED – Continued

Auditor's Responsibilities for the Audit of the Financial Statements – Continued

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 Group and 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 Group's and 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 Group and/or 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MUTUAL BENEFITS LIFE ASSURANCE LIMITED - Continued

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

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 Fifth schedule of the Companies and Allied Matters Act, 2020 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 Group and Company, in so far as it appears from our examination of those books;
- iii) the consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and the consolidated and separate statement of other comprehensive income are in agreement with the books of account; and
- iv) in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions the Companies and Allied Matters Act, 2020 and of Section 28(2) of the Insurance Act 2003, so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.



Oluwasayo Elumaro, FCA
FRC/2012/ICAN/00000000139

For: Ernst & Young
Lagos, Nigeria

Date: 15 June 2022



MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

Mutual Benefits Life Assurance Limited ("the Company") (RC 681998) 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 27. Information on other related party relationships of the Group is provided in Note 48.

The consolidated and separate financial statements of the Company and its subsidiaries were authorised for issue by the Board of Directors on 29 April 2022.

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 preparation

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 national regulations has been included where appropriate.

The consolidated and separate financial statements comprise of the statements of profit or loss, statements of other comprehensive income, the statements of financial position, 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

Statement of 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 are measured at FVPL and FVOCI.

(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 2021. 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

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 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 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, finance 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 includes 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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.6.2 Reinsurance premiums

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 Fees and commission income

Fee 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 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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.7 Benefits, claims and expenses recognition - Continued

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 cash equivalents

Cash and cash equivalents 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.

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9 Financial Instruments - Continued

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-term deposits with banks, Loans and advances, 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

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial assets subsequent measurement - Continued

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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, except in the case of financial liabilities recorded at FVPL, transaction costs are subtracted from, this amount. 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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

- ❖ In the principal market for the asset or liability, or
- ❖ 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:

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

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.11 Fair value measurement - continued

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 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.

2.3.12 Impairment of non-financial assets

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.12 Impairment of non-financial assets

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:

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.

2.3.13 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.

2.3.14 Trade receivables

Trade receivables (premium receivable) are initially recognized at fair value and subsequently measured at amortized 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.

2.3.15 Reinsurance

2.3.15.1 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reinsurance - Continued

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.

2.3.15.2 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.

2.3.16 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.

2.3.17 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.

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:

- ❖ property purchased for the specific purpose of resale;
- ❖ property constructed for the specific purpose of resale (work in progress under the scope of IFRS 15, 'Revenue'); and
- ❖ 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.19. Leases

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.

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.

If any, the Group's lease liabilities are included in Interest-bearing loans and borrowings.

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 and space (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

2.3.20 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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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;

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and equipment - Continued

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 and 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, plant 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.

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).

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.27 Insurance contracts – Continued

(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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.28 Investment contracts - Continued

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.

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:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint 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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.30 Taxes

2.3.30.2 Deferred tax - Continued

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:

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

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint 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.

Minimum tax

A Company is subject to Minimum tax in a year where it has no taxable profit on which to base its tax liabilities on. Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on gross amount which is outside the scope of IAS 12 and are not presented as part of income tax expense in the profit or loss but rather presented above the income tax line as Minimum tax.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.31 Provisions

General - continued

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.

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 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.

2.3.33.3 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 asset's 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.33 Equity

2.3.33.5 Revaluation reserve - continued

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.

2.3.33.6 Fair value reserve

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

2.3.36.1 Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The objective of the second phase of the Board's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the following key areas: changes in the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. The amendment did not have an impact on the financial statements of the Group.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.36 Changes in accounting policy and disclosures - Continued

New and amended standards and interpretations - Continued

2.3.36.2 Amendments to IFRS 16 Leasing – Covid-19 Related Rent Concessions

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to look into whether to extend the time period over which the practical expedient is available for use.

The application of the revised standard does not have impact on the financial statements of the Group for the period under review.

New and amended standards that are not yet effective

A number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not applied the following new or amended standards in preparing these financial statements. The Group does not plan to early adopt these standards. These will be adopted in the period that they become mandatory and applicable unless otherwise indicated. Those Standards, Amendments to Standards, and interpretations which we considered may be relevant to the Group are set below;

2.3.36.3 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.

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model (“general model”) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.36 Changes in accounting policy and disclosures - Continued

New and amended standards that are not yet effective

The Group is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

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, re-measured 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 2023, 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.

The Group started a project to implement IFRS 17 and has been performing the 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.

2.3.36.4 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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.36 Changes in accounting policy and disclosures - Continued

New and amended standards that are not yet effective

early adopts the amendments must apply them prospectively. The amendments are not expected to have an impact on the financial statements of the Group.

2.3.36.5 Reference to the Conceptual Framework – Amendment to IFRS 3

On May 14, 2021, the IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements. IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability.

Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The purpose of this project was to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have an impact on the financial statements of the Group.

2.3.36.6 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

2.3.36.7 Onerous Contracts – Costs of Fulfilling a Contract – Amendment to IAS 37

IAS 37, Provisions, Contingent Liabilities and Contingent Assets did not specify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. Research conducted by the IFRS Interpretations Committee indicated that differing views on which costs to include could lead to material differences in the financial statements of entities that enter into some types of contracts.

In this project, the International Accounting Standards Board (IASB) developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Board issued the amendments in May 2021. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022 with earlier application being permitted. However, this has been critically evaluated and the Group has come to a conclusion that this would not have any impact on the financial statements of the Group.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.36 Changes in accounting policy and disclosures - Continued

New and amended standards that are not yet effective

2.3.36.8 IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The amendments are not expected to have an impact on the financial statements of the Group.

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

On 23 January 2021, the International Accounting Standards Board (IASB or the Board) issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- (1) The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- (2) Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- (3) The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2023.

2.3.36.10 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

2.3.36.11 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.36 Changes in accounting policy and disclosures - Continued

New and amended standards that are not yet effective

2.3.36.12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendment will be effective for annual periods beginning on or after 1 January 2023. The Group is currently assessing the impact on its financials.

2.3.36.13 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments will currently have no impact on the financial statement of the Group.

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. Insurance risk management Note 3.1.1
2. Financial risk management and policies Note 3.1.2
3. Capital management Note 3.2

Judgements

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 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 recognised in the financial statements:

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2.3.37 Significant accounting judgments, estimates and assumptions - Continued

Estimates and assumptions

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.

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 of 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, three properties have been analysed and compared with the subject property.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.37 Significant accounting judgments, estimates and assumptions - Continued

Estimates and assumptions

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

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2021

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
Gross premium written	4.1	15,504,971	10,776,337	11,617,005	8,433,063
Gross premium income	4.2	13,738,773	11,029,611	10,079,103	8,525,403
Premiums ceded to reinsurers	4.3	(963,784)	(1,087,332)	(703,624)	(947,345)
Net premium income	4.4	12,774,989	9,942,279	9,375,479	7,578,058
Commission income	5	83,546	201,658	68,683	179,529
Net underwriting income		12,858,535	10,143,937	9,444,162	7,757,587
Net benefits and claims	6	6,148,124	4,439,562	4,751,142	3,577,780
Changes in individual life fund	32.2.2	850,885	192,942	850,885	192,942
Changes in annuity reserve	32.2.3	46,196	3,997	46,196	3,997
Underwriting expenses	7	2,933,342	2,784,407	2,420,132	2,191,949
Net underwriting expenses		9,978,547	7,420,908	8,068,355	5,966,668
Underwriting profit		2,879,988	2,723,029	1,375,807	1,790,919
Profit on investment contracts liabilities	8.1	397,679	416,303	397,679	416,303
Investment income	9	755,439	1,464,133	518,249	1,283,257
Net fair value (loss)/gain on assets at FVTPL	10	(4,132,749)	2,165,343	(4,132,749)	2,165,343
Other income	11	277,016	80,623	17,736	62,031
Impairment reversal/(loss) on financial assets	12	231,462	(835,511)	310,124	(896,583)
Employee benefit expenses	13	(1,001,709)	(928,188)	(626,654)	(626,356)
Management expenses	14	(2,255,799)	(1,947,742)	(1,033,019)	(1,057,029)
Operating (loss)/profit		(2,848,673)	3,137,990	(3,172,827)	3,137,885
Finance costs	15	(31,469)	(10,263)	-	-
Finance income	16	95,711	31,970	-	-
(Loss)/profit before income tax		(2,784,431)	3,159,697	(3,172,827)	3,137,885
Income tax (expenses)/credit	17	(192,782)	86,656	(37,594)	246,929
(Loss)/profit for the year		(2,977,213)	3,246,353	(3,210,421)	3,384,814
(Loss)/profit attributable to:					
Owners of the parent		(3,127,875)	3,268,960	(3,210,421)	3,384,814
Non-controlling interests		150,662	(22,607)	-	-
		(2,977,213)	3,246,353	(3,210,421)	3,384,814
(Loss)/earnings per share:					
(Loss)/earnings per share for (loss)/profit attributable to equity holders of parent					
Basic and diluted (kobo)	18.1	(39)	41	(40)	42

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 2021

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
(Loss)/profit for the year		(2,977,213)	3,246,353	(3,210,421)	3,384,814
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		379,687	478,319	-	-
		379,687	478,319	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Net revaluation gains/(losses) on equity Instruments at FVOCI	20.1	300,196	(207,492)	274,276	(176,942)
		300,196	(207,492)	274,276	(176,942)
Total other comprehensive income for the year, net of tax		679,883	270,827	274,276	(176,942)
Total comprehensive (loss)/income for the year, net of tax		(2,297,330)	3,517,180	(2,936,145)	3,207,872
Total comprehensive (loss)/Income attributable to:					
Owners of the parent		(2,429,513)	3,284,249	(2,936,145)	3,207,872
Non-controlling interests	45	132,183	232,931	-	-
		(2,297,330)	3,517,180	(2,936,145)	3,207,872

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 2021		31 December	31 December	31 December	31 December
in thousands of Nigerian Naira	Notes	2021	2020	2021	2020
ASSETS					
Cash and cash equivalents	19	11,445,310	6,797,464	6,895,926	2,880,279
Financial assets at fair value through OCI	20.1	380,829	80,633	313,393	39,117
Financial assets at amortised cost	20.2	36,515,234	23,797,398	34,546,552	22,745,277
Financial assets at fair value through P/L	20.3	1,740,043	16,019,591	1,740,043	16,019,591
Trade receivables	21	368,026	166,479	27,788	-
Reinsurance assets	22	2,110,147	2,266,613	1,426,918	1,702,233
Other receivables and prepayments	23	1,205,131	639,101	893,113	397,346
Deferred acquisition costs	24	294,950	155,557	294,950	155,557
Inventories	25	44,299	169,799	-	-
Investment properties	26	6,035,000	6,665,000	6,035,000	6,665,000
Investments in subsidiaries	27	-	-	1,016,981	1,016,981
Intangible assets	28	255,801	34,147	110,409	-
Property, plant and equipment	29	1,346,184	1,202,241	114,643	91,391
Deposit for investment in equity shares	31	-	-	100,000	100,000
Deferred tax assets	38.1	392,638	520,523	341,980	469,865
Statutory deposit	30	200,000	200,000	200,000	200,000
Total assets		62,333,593	58,714,547	54,057,696	52,482,638
LIABILITIES					
Insurance contract liabilities	32	13,506,488	10,143,681	11,722,189	8,871,956
Investment contract liabilities	33	30,178,616	28,447,267	30,178,616	28,447,267
Trade payables	34	1,443,754	1,370,403	895,908	958,905
Other liabilities	35	1,493,187	1,616,144	1,004,088	874,051
Deposit liabilities	36	1,327,465	301,618	-	-
Current income tax payable	37	256,663	287,717	30,009	167,428
Deferred tax liabilities	38.2	746,044	869,011	-	-
Total liabilities		48,952,217	43,035,841	43,830,810	39,319,607
EQUITY					
Share capital	39.2	8,002,500	8,002,500	8,002,500	8,002,500
Foreign currency translation reserve	40	1,559,768	1,161,602	-	-
Contingency reserve	41	1,170,181	1,054,010	1,170,181	1,054,010
Revaluation reserve	42	180,736	180,736	-	-
Fair value reserve	43	(444,843)	(745,039)	(403,079)	(677,355)
Retained earnings	44	1,447,073	4,691,119	1,457,284	4,783,876
Total ordinary shareholders' equity		11,915,415	14,344,928	10,226,886	13,163,031

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

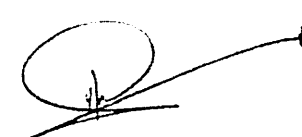
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION - Continued

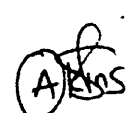
As at 31 December 2021

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Owners of the parent		11,915,415	14,344,928	10,226,886	13,163,031
Non-controlling interests in equity	45	1,465,961	1,333,778	-	-
Total equity		13,381,376	15,678,706	10,226,886	13,163,031
Total liabilities and equity		62,333,593	58,714,547	54,057,696	52,482,638

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 and were signed on its behalf by:


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


 Mr. Adebisi Ashiru-Mobolaji
 Acting Managing Director
 FRC/2022/PRO/DIR/003/088589


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

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 2021	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			
<i>in thousands of Nigerian Naira</i>											
As at 1 January 2020		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
Total comprehensive income for the year:											
Profit for the year		-	-	-	-	-	-	3,268,960	3,268,960	(22,607)	3,246,353
Other comprehensive income		-	-	222,781	-	(207,492)	-	-	15,289	255,538	270,827
Total comprehensive income for the year, net of tax		-	-	222,781	-	(207,492)	-	3,268,960	3,284,249	232,931	3,517,180
<i>Transactions with owners of equity</i>											
Share issue expenses		-	(116,557)	-	-	-	-	-	(116,557)	-	(116,557)
Capitalisation of share premium and reserves		7,672,500	(5,553,443)	-	-	-	-	(2,119,057)	-	-	-
Transfer to contingency reserve		-	-	-	-	-	338,481	(338,481)	-	-	-
Total transactions with owners of equity		7,672,500	(5,670,000)	-	-	-	338,481	(2,457,538)	(116,557)	-	(116,557)
As at 31 December 2020		8,002,500	-	1,161,602	180,736	(745,039)	1,054,010	4,691,119	14,344,928	1,333,778	15,678,706
As at 1 January 2021		8,002,500	-	1,161,602	180,736	(745,039)	1,054,010	4,691,119	14,344,928	1,333,778	15,678,706
Total comprehensive income for the year:											
Loss for the year		-	-	-	-	-	-	(3,127,875)	(3,127,875)	150,662	(2,977,213)
Other comprehensive income		-	-	398,166	-	300,196	-	-	698,362	(18,479)	679,883
Total comprehensive income for the year, net of tax		-	-	398,166	-	300,196	-	(3,127,875)	(2,429,513)	132,183	(2,297,330)
<i>Transactions with owners of equity</i>											
Transfer to contingency reserve		-	-	-	-	-	116,171	(116,171)	-	-	-
Total transactions with owners of equity		-	-	-	-	-	116,171	(116,171)	-	-	-
As at 31 December 2021		8,002,500	-	1,559,768	180,736	(444,843)	1,170,181	1,447,073	11,915,415	1,465,961	13,381,376

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 2021 in thousands of Nigerian Naira</i>	<i>Note</i>	Share capital	Share premium	Fair value reserve	Contingency reserve	Retained earnings	Total
As at 1 January 2020		330,000	5,670,000	(500,413)	715,529	3,856,598	10,071,714
Total comprehensive income for the year:		-					
Profit for the year		-	-	-	-	3,384,814	3,384,814
Other comprehensive loss net of tax		-	-	(176,942)	-	-	(176,942)
Total comprehensive income for the year, net of tax		-	-	(176,942)	-	3,384,814	3,207,872
Transactions with owners of equity							
Share issue expenses		-	(116,555)	-	-	-	(116,555)
Capitalisation of share premium and reserves		7,672,500	(5,553,445)	-	-	(2,119,055)	-
Transfer to contingency reserve		-	-	-	338,481	(338,481)	-
Total transactions with owners of equity		7,672,500	(5,670,000)	-	338,481	(2,457,536)	(116,555)
As at 31 December 2020		8,002,500	-	(677,355)	1,054,010	4,783,876	13,163,031
As at 1 January 2021		8,002,500	-	(677,355)	1,054,010	4,783,876	13,163,031
Total comprehensive income for the year:		-					
Loss for the year		-	-	-	-	(3,210,421)	(3,210,421)
Other comprehensive income net of tax		-	-	274,276	-	-	274,276
Total comprehensive income for the year, net of tax		-	-	274,276	-	(3,210,421)	(2,936,145)
Transactions with owners of equity							
Transfer to contingency reserve		-	-	-	116,171	(116,171)	-
Total transactions with owners of equity		-	-	-	116,171	(116,171)	-
As at 31 December 2021		8,002,500	-	(403,079)	1,170,181	1,457,284	10,226,886

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 2021

in thousands of Nigerian Naira

For the year ended 31 December 2021		GROUP		COMPANY		
in thousands of Nigerian Naira		Notes	2021	2020	2021	2020
Operating activities:						
Cash received from insurance contract policy holders			15,303,424	10,857,089	11,589,217	8,433,063
Cash received from investment contract policy holders			13,576,291	11,568,246	13,576,291	11,568,246
Cash withdrawal by investment contract policy holders	33		(13,963,379)	(12,289,060)	(13,963,379)	(12,286,769)
Additions to deposit for premium	34.3		673,742	643,004	673,742	643,004
Fees and commission received			85,018	191,118	70,154	168,990
Reinsurance paid			(915,616)	(753,727)	(754,768)	(794,080)
Claims paid	6		(6,419,421)	(4,308,102)	(5,183,413)	(3,946,128)
Claims recovered from co-insurance	21.2.1		1,241,473	1,263,341	1,118,168	1,263,341
Commission paid			(1,352,272)	(1,225,377)	(876,097)	(601,827)
Maintenance cost	7.1		(1,675,391)	(1,554,263)	(1,675,391)	(1,554,263)
Payments to employees	13		(1,001,709)	(928,188)	(626,654)	(626,356)
Other cash received			355,905	50,221	914	893
Net cash paid to brokers, suppliers and other providers of services			(2,552,671)	(1,587,546)	(2,648,780)	(1,713,095)
Income tax paid	37		(272,126)	(192,571)	(47,128)	(39,957)
Net cash flows from operating activities	46		3,083,269	1,734,185	1,252,876	515,062
Investing activities:						
Purchase of property, plant and equipment	29		(137,837)	(115,722)	(77,685)	(37,746)
Proceeds from sale of property, plant and equipment			914	1,863	914	3,587
Proceeds from sale of investment properties			366,625	110,000	366,625	110,000
Investment income received	9.3		1,714,489	2,651,638	1,478,798	2,472,264
Purchase of financial assets at amortised cost	20.2		(40,622,379)	(12,404,397)	(38,476,367)	(11,198,197)
Redemption of financial assets at amortised cost	20.2		30,327,099	19,335,179	29,333,019	18,213,157
Purchase of financial assets recognised at fair value through profit or loss	20.3.1		-	(9,124,087)	-	(9,124,087)
Redemption of financial assets recognised at fair value through profit or loss	20.3.1		10,231,068	-	10,231,068	-
Additions to deposit for investment in equity shares	31		-	-	-	(100,000)
Purchase of intangible assets	28		(332,223)	(11,090)	(110,422)	-
Net cash flows from/(used in) Investing activities			1,547,756	443,384	2,745,949	338,978
Financing activities:						
Share issue expenses			-	(116,557)	-	(116,555)
Net cash flows used in financing activities			-	(116,557)	-	(116,555)
Net increase in cash and cash equivalents						
			4,631,024	2,061,012	3,998,825	737,485
Effects of exchange rate changes on cash and cash equivalents			16,822	62,373	16,822	61,138
Cash and cash equivalents as 1 January						
			6,797,464	4,674,079	2,880,279	2,081,656
Cash and cash equivalents at 31 December	19		11,445,310	6,797,464	6,895,926	2,880,279

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 2021

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 2021

(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 N25,000,000 on any single life insured and 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.

	GROUP			COMPANY		
	31 Dec-2021			31 Dec-2021		
<i>In thousands of Nigerian Naira</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	11,588,928	1,586,918	10,002,010	11,289,733	1,586,918	9,702,815
Credit Life Assurance Scheme	432,456	-	432,456	432,456	-	432,456
Total	12,021,384	1,586,918	10,434,466	11,722,189	1,586,918	10,135,271

	GROUP			COMPANY		
	31 Dec-2020			31 Dec-2020		
<i>In thousands of Nigerian Naira</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	8,808,790	1,862,233	6,946,557	8,561,328	1,862,233	6,699,095
Credit Life Assurance Scheme	310,628	-	310,628	310,628	-	310,628
Total	9,119,418	1,862,233	7,257,185	8,871,956	1,862,233	7,009,723

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.

	GROUP			COMPANY		
	31 Dec-2021			31 Dec-2021		
<i>In thousands of Nigerian Naira</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	11,722,189	1,586,918	10,135,271	11,722,189	1,586,918	10,135,271
Liberia	299,195	-	299,195	-	-	-
Total	12,021,384	1,586,918	10,434,466	11,722,189	1,586,918	10,135,271

	GROUP			COMPANY		
	31 Dec-2020			31 Dec-2020		
<i>In thousands of Nigerian Naira</i>	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	8,871,956	1,862,233	7,009,723	8,871,956	1,862,233	7,009,723
Liberia	247,462	-	247,462	-	-	-
Total	9,119,418	1,862,233	7,257,185	8,871,956	1,862,233	7,009,723

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(a) *Life Insurance contracts - Continued*

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 2021

(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-2021		GROUP			
In thousands of Nigerian Naira	Change in assumptions	Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality/morbidity rate	+10%	79,796	79,796	79,796	79,796
Longevity	+10%	(5,120)	(5,120)	(5,120)	(5,120)
Lapse and surrenders rate	+10%	(17,659)	(17,659)	(17,659)	(17,659)
Discount rate	+1%	(152,599)	(152,599)	(152,599)	(152,599)
Mortality/morbidity rate	-10%	(75,911)	(75,911)	(75,911)	(75,911)
Longevity	-10%	5,354	5,354	5,354	5,354
Lapse and surrenders rate	-10%	18,650	18,650	18,650	18,650
Discount rate	-1%	172,218	172,218	172,218	172,218

31 Dec-2020		GROUP			
In thousands of Nigerian Naira	Change in assumptions	Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality/morbidity rate	+10%	35,862	35,862	(35,862)	(35,862)
Longevity	+10%	2,386	2,386	(2,386)	(2,386)
Lapse and surrenders rate	+10%	(207)	(207)	207	207
Discount rate	+1%	(96,745)	(96,745)	96,745	96,745
Mortality/morbidity rate	-10%	(41,390)	(41,390)	41,390	41,390
Longevity	-10%	(2,458)	(2,458)	2,458	2,458
Lapse and surrenders rate	-10%	275	275	(275)	(275)
Discount rate	-1%	97,602	97,602	(97,602)	(97,602)

COMPANY			
Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
79,796	79,796	(79,796)	(79,796)
(5,120)	(5,120)	5,120	5,120
(17,659)	(17,659)	17,659	17,659
(152,599)	(152,599)	152,599	152,599
(75,911)	(75,911)	75,911	75,911
5,354	5,354	(5,354)	(5,354)
18,650	18,650	(18,650)	(18,650)
172,218	172,218	(172,218)	(172,218)

COMPANY			
Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
35,862	35,862	(35,862)	(35,862)
2,386	2,386	(2,386)	(2,386)
(207)	(207)	207	207
(96,745)	(96,745)	96,745	96,745
(41,390)	(41,390)	41,390	41,390
(2,458)	(2,458)	2,458	2,458
275	275	(275)	(275)
97,602	97,602	(97,602)	(97,602)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 guard 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 2021

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 impairment and 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-21	31-Dec-20	31-Dec-21	31-Dec-20
Cash and cash equivalents	11,485,850	6,856,549	6,935,350	2,894,421
Debt instruments at amortised cost	36,910,856	24,630,817	34,915,055	23,619,721
Debt instruments at FVPL	1,740,043	16,019,591	1,740,043	16,019,591
Trade receivables	460,163	234,237	27,788	-
Reinsurance assets	2,082,299	2,318,306	1,399,070	1,753,926
Other receivables	1,549,899	783,291	1,215,567	545,994
Statutory deposit	200,000	200,000	200,000	200,000
Deposit for investment in equity shares	-	-	100,000	100,000
	54,429,110	51,042,791	46,532,873	45,133,653

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(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 2021	Group					Company				
	Financial services	Real estate	Oil & Gas sector	Other	Total	Financial services	Real estate	Oil & Gas sector	Other	Total
Cash and cash equivalents	11,485,850	-	-	-	11,485,850	6,935,350	-	-	-	6,935,350
Debt instruments at amortised cost	22,185,406	-	12,484,684	2,240,766	36,910,856	22,185,406	200,140	12,484,684	44,825	34,915,055
Debt instruments at FVPL	1,740,043	-	-	-	1,740,043	1,740,043	-	-	-	1,740,043
Trade receivables	460,163	-	-	-	460,163	27,788	-	-	-	27,788
Reinsurance assets	2,082,299	-	-	-	2,082,299	1,399,070	-	-	-	1,399,070
Other receivables	-	-	-	1,549,899	1,549,899	-	-	-	1,215,567	1,215,567
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	100,000	-	-	-	100,000
	38,153,761	-	12,484,684	3,790,665	54,429,110	32,587,657	200,140	12,484,684	1,260,392	46,532,873

31 December 2020	Group					Company				
	Financial services	Real estate	Oil & Gas sector	Other	Total	Financial services	Real estate	Oil & Gas sector	Other	Total
Cash and cash equivalents	6,856,549	-	-	-	6,856,549	2,894,421	-	-	-	2,894,421
Debt instruments at amortised cost	11,201,473	-	12,073,638	1,355,706	24,630,817	11,201,473	200,140	12,073,638	144,470	23,619,721
Debt instruments at FVPL	16,019,591	-	-	-	16,019,591	16,019,591	-	-	-	16,019,591
Trade receivables	234,237	-	-	-	234,237	-	-	-	-	-
Reinsurance assets	2,318,306	-	-	-	2,318,306	1,753,926	-	-	-	1,753,926
Other receivables	-	-	-	783,291	783,291	-	-	-	545,994	545,994
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	100,000	-	-	-	100,000
	36,830,156	-	12,073,638	2,138,997	51,042,791	32,169,411	200,140	12,073,638	690,464	45,133,653

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(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 2021	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	11,485,850	-	-	-	11,485,850	6,935,350	-	-	-	6,935,350
Debt instruments at amortised cost	36,703,598	207,258	-	-	36,910,856	34,714,915	-	-	200,140	34,915,055
Debt instruments at FVPL	1,740,043	-	-	-	1,740,043	1,740,043	-	-	-	1,740,043
Trade receivables	368,026	92,137	-	-	460,163	27,788	-	-	-	27,788
Reinsurance assets	2,082,299	-	-	-	2,082,299	1,399,070	-	-	-	1,399,070
Other receivables	871,653	-	-	678,246	1,549,899	565,571	-	-	649,996	1,215,567
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	100,000	-	-	-	100,000
	53,451,469	299,395	-	678,246	54,429,110	45,682,737	-	-	850,136	46,532,873

31 December 2020	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	6,856,549	-	-	-	6,856,549	2,894,421	-	-	-	2,894,421
Debt instruments at amortised cost	12,418,064	12,212,753	-	-	24,630,817	11,546,083	12,073,638	-	-	23,619,721
Debt instruments at FVPL	16,019,591	-	-	-	16,019,591	16,019,591	-	-	-	16,019,591
Trade receivables	234,237	-	-	-	234,237	-	-	-	-	-
Reinsurance assets	2,318,306	-	-	-	2,318,306	1,753,926	-	-	-	1,753,926
Other receivables	342,252	-	-	441,039	783,291	104,955	-	-	441,039	545,994
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	-	-	-	100,000	-	-	-	100,000
	38,388,999	12,212,753	-	441,039	51,042,791	32,618,976	12,073,638	-	441,039	45,133,653

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For the year ended 31 December 2021

(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		
	2021	2020	2021	2020	
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 100%. 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 2021

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

Group in thousands of Nigerian Naira	31-Dec-21				31-Dec-20			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	11,485,850	-	-	11,485,850	6,856,549	-	-	6,856,549
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	11,485,850	-	-	11,485,850	6,856,549	-	-	6,856,549
Expected credit loss	(42,486)	-	-	(42,486)	(59,977)	-	-	(59,977)
Total Net Amount	11,443,364	-	-	11,443,364	6,796,572	-	-	6,796,572

Cash & short-term deposits in banks

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

in thousands of Nigerian Naira	31-Dec-21				31-Dec-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	6,856,549	-	-	6,856,549	4,722,531	-	-	4,722,531
New assets originated or purchased	73,876,047	-	-	73,876,047	46,713,441	-	-	46,713,441
Assets derecognised or repaid (excluding write offs)	(69,246,744)	-	-	(69,246,744)	(44,579,422)	-	-	(44,579,422)
	4,629,301	-	-	4,629,301	2,134,018	-	-	2,134,018
At 31 December	11,485,850	-	-	11,485,850	6,856,549	-	-	6,856,549

in thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	59,977	-	-	59,977	50,526	-	-	50,526
New assets originated or purchased	42,486	-	-	42,486	59,977	-	-	59,977
Assets derecognised or repaid (excluding write offs)	(59,977)	-	-	(59,977)	(50,526)	-	-	(50,526)
	(17,491)	-	-	(17,491)	9,451	-	-	9,451
At 31 December	42,486	-	-	42,486	59,977	-	-	59,977

Company in thousands of Nigerian Naira	31-Dec-21				30-Dec-20			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	6,935,350	-	-	6,935,350	2,894,421	-	-	2,894,421
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	6,935,350	-	-	6,935,350	2,894,421	-	-	2,894,421
Expected credit loss	(39,486)	-	-	(39,486)	(14,179)	-	-	(14,179)
Total Net Amount	6,895,864	-	-	6,895,864	2,880,242	-	-	2,880,242

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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

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

	31-Dec-21				31-Dec-20			
<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	2,894,421	-	-	2,894,421	2,088,661	-	-	2,088,661
New assets originated or purchased	68,464,216	-	-	68,464,216	42,917,342	-	-	42,917,342
Assets derecognised or repaid (excluding write offs)	(64,423,285)	-	-	(64,423,285)	(42,111,583)	-	-	(42,111,583)
	4,040,929	-	-	4,040,929	805,760	-	-	805,760
At 31 December	6,935,350	-	-	6,935,350	2,894,421	-	-	2,894,421

<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	14,179	-	-	14,179	7,031	-	-	7,031
	-	-	-	-	-	-	-	-
New assets originated or purchased	39,486	-	-	39,486	14,179	-	-	14,179
Assets derecognised or repaid (excluding write offs)	(14,179)	-	-	(14,179)	(7,031)	-	-	(7,031)
	25,307	-	-	25,307	7,148	-	-	7,148
At 31 December	39,486	-	-	39,486	14,179	-	-	14,179

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(vi) (b) Loans and receivables

Group	31-Dec-21				31-Dec-20			
<i>In thousands of Nigerian Naira</i>								
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	14,518,192	-	-	14,518,192	1,216,591	-	-	1,216,591
Non-investment grade (satisfactory)	-	207,258	-	207,258	-	12,212,753	-	12,212,753
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	14,518,192	207,258	-	14,725,450	1,216,591	12,212,753	-	13,429,344
Expected credit loss	(182,813)	(207,258)	-	(390,071)	(21,053)	(809,337)	-	(830,390)
Total Net Amount	14,335,379	-	-	14,335,379	1,195,538	11,403,416	-	12,598,954

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	1,216,591	12,212,753	-	13,429,344	11,370,832	-	-	11,370,832
Net assets originated/(derecognised)	1,257,574	207,259	-	1,464,833	57,965	-	-	57,965
Transfers to Stage 1	12,212,753	(12,212,753)	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	(10,210,096)	12,212,753	-	2,002,657
Transfers to Stage 3	-	-	-	-	-	-	-	-
Amounts written off	(168,727)	-	-	(168,727)	(2,110)	-	-	(2,110)
Foreign exchange adjustments	-	-	-	-	-	-	-	-
	13,301,600	(12,005,494)	-	1,296,106	(10,154,241)	12,212,753	-	2,058,512
At 31 December	14,518,192	207,258	-	14,725,450	1,216,591	12,212,753	-	13,429,344

<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	21,053	809,337	-	830,390	466,680	-	-	466,680
Net assets originated/(derecognised)	(609,046)	-	-	(609,046)	(1,073)	-	-	(1,073)
Transfers to Stage 1	770,805	(770,805)	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	(444,553)	444,553	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	168,727	-	168,727	-	364,783	-	364,783
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-	-	-
	161,759	(602,078)	-	(440,319)	(445,627)	809,337	-	363,710
At 31 December	182,813	207,258	-	(390,071)	21,053	809,337	-	830,390

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(vi) (b) Loans and receivables

Company in thousands of Nigerian Naira	31-Dec-21				31-Dec-20			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	12,729,649	-	-	12,729,649	144,470	-	-	144,470
Non-Investment grade (satisfactory)	-	-	-	-	-	12,273,778	-	12,273,778
Non-Investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	200,140	200,140	-	-	-	-
Total Gross Amount	12,729,649	-	200,140	12,929,789	144,470	12,273,778	-	12,418,248
Expected credit loss	(162,812)	-	(200,140)	(362,952)	(1,053)	(870,362)	-	(871,415)
Total Net Amount	12,566,837	-	-	12,566,837	143,417	11,403,416	-	11,546,833

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

in thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	144,470	12,273,778	-	12,418,248	10,443,304	-	-	10,443,304
Net assets originated/(derecognised)	511,541	-	-	511,541	1,974,944	-	-	1,974,944
Transfers to Stage 1	12,073,638	(12,073,638)	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	(12,273,778)	12,273,778	-	-
Transfers to Stage 3	-	-	200,140	200,140	-	-	-	-
	12,585,179	(12,073,638)	200,140	711,681	(10,298,834)	12,273,778	-	1,974,944
At 31 December	12,729,649	-	200,140	12,929,789	144,470	12,273,778	-	12,418,248

in thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	1,053	870,362	-	871,415	401,190	-	-	401,190
Net assets originated/(derecognised)	(508,463)	-	-	(508,463)	662	-	-	662
Transfers to Stage 1	670,222	(670,222)	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	(400,799)	400,799	-	-
Transfers to Stage 3	-	(200,140)	200,140	-	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-	-	469,563	-	469,563
	161,759	(870,362)	200,140	(508,463)	(400,137)	870,362	-	470,225
At 31 December	162,812	-	200,140	362,952	1,053	870,362	-	871,415

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(vi) c Debt instruments at amortised cost

Group

In thousands of Nigerian Naira

	31-Dec-21				31-Dec-20			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473
Expected credit loss	(5,551)	-	-	(5,551)	(3,029)	-	-	(3,029)
Total Net Amount	22,179,856	-	-	22,179,856	11,198,444	-	-	11,198,444

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	11,201,473	-	-	11,201,473	18,124,564	-	-	18,124,564
New assets originated or purchased	38,762,566	-	-	38,762,566	11,201,491	-	-	11,201,491
Assets derecognised or matured (excluding write offs)	(27,778,632)	-	-	(27,778,632)	(18,124,583)	-	-	(18,124,583)
	10,983,934	-	-	10,983,934	(6,923,091)	-	-	(6,923,091)
At 31 December	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473

<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	3,029	-	-	3,029	4,182	-	-	4,182
New assets originated or purchased	5,551	-	-	5,551	3,029	-	-	3,029
Assets derecognised or matured (excluding write offs)	(3,029)	-	-	(3,029)	(4,182)	-	-	(4,182)
	2,522	-	-	2,522	(1,153)	-	-	(1,153)
At 31 December	5,551	-	-	5,551	3,029	-	-	3,029

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(vi) c Debt instruments at amortised cost - continued

Company in thousands of Nigerian Naira	31-Dec-21				31-Dec-20			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473
Non-investment grade (satisfactory)	-	-	-	-	-	-	-	-
Non-investment grade (unsatisfactory)	-	-	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-	-	-
Total Gross Amount	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473
Non-investment grade (satisfactory)	(5,551)	-	-	(5,551)	(3,029)	-	-	(3,029)
Total Net Amount	22,179,856	-	-	22,179,856	11,198,444	-	-	11,198,444

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

in thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	11,201,473	-	-	11,201,473	18,124,564	-	-	18,124,564
New assets originated or purchased	38,762,566	-	-	38,762,566	11,201,492	-	-	11,201,492
Assets derecognised or matured (excluding write offs)	(27,778,632)	-	-	(27,778,632)	(18,124,583)	-	-	(18,124,583)
	10,983,934	-	-	10,983,934	(6,923,091)	-	-	(6,923,091)
At 31 December	22,185,407	-	-	22,185,407	11,201,473	-	-	11,201,473

in thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	3,029	-	-	3,029	4,182	-	-	4,182
New assets originated or purchased	5,551	-	-	5,551	3,029	-	-	3,029
Assets derecognised or matured (excluding write offs)	(3,029)	-	-	(3,029)	(4,182)	-	-	(4,182)
	2,522	-	-	2,522	(1,153)	-	-	(1,153)
At 31 December	5,551	-	-	5,551	3,029	-	-	3,029

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(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 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 2021 In thousands of Nigerian Naira	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	11,445,310	11,845,896					11,845,896
Debt instruments at amortised cost	36,515,234	533,464	27,264,471	17,515,679	-	-	45,313,614
Debt instruments at fair value through profit or loss	1,740,043	104,484	104,484	1,044,840	3,182,776	-	4,436,583
Trade receivables	368,026	368,026	-	-	-	-	368,026
Reinsurance assets	2,082,299	2,082,299	-	-	-	-	2,082,299
Other receivables*	1,149,235	1,149,235	-	-	-	-	1,149,235
Total financial assets	53,300,147	16,083,404	27,368,954	18,560,519	3,182,776	-	65,195,653
Investment contract liabilities	30,178,616	7,957,606	7,957,606	15,831,764	609,410	-	32,356,386
Insurance contract liabilities*	9,585,970	4,005,266	1,335,089	-	-	4,245,615	9,585,970
Trade payables*	1,431,634	1,431,634	-	-	-	-	1,431,634
Other liabilities*	779,480	779,480	-	-	-	-	779,480
Deposit liabilities	1,327,465	1,327,465	-	-	-	-	1,327,465
Total financial liabilities	43,303,165	15,501,452	9,292,695	15,831,764	609,410	4,245,615	45,480,935
Total liquidity gap	9,996,982	581,952	18,076,259	2,728,756	2,573,366	(4,245,615)	19,714,718

*These balances are adjusted for non-financial items such as unearned premium, prepayment, 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 2021

(b) Liquidity risk - continued

31 December 2020 <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	6,797,464	7,035,375					7,035,375
Debt instruments at amortised cost	23,797,398	273,461	14,460,578	18,486,626	-	-	33,220,664
Debt instruments at fair value through profit or loss	16,019,591	699,847	699,847	6,998,475	22,862,679	-	31,260,849
Trade receivables	166,479	166,479	-	-	-	-	166,479
Reinsurance assets	2,318,306	2,318,306	-	-	-	-	2,318,306
Other receivables*	339,019	339,019	-	-	-	-	339,019
Total financial assets	49,438,257	10,832,487	15,160,425	25,485,100	22,862,679	-	74,340,692
Investment contract liabilities	28,447,267	7,501,078	7,501,078	14,923,494	574,448	-	30,500,099
Insurance contract liabilities*	7,989,362	3,917,459	1,305,820	-	-	2,766,084	7,989,362
Trade payables*	1,359,755	1,359,755	-	-	-	-	1,359,755
Other liabilities*	649,072	649,072	-	-	-	-	649,072
Deposit liabilities	301,618	301,618	-	-	-	-	301,618
Total financial liabilities	38,747,074	13,728,981	8,806,897	14,923,494	574,448	2,766,084	40,799,906
Total liquidity gap	10,691,183	(2,896,494)	6,353,528	10,561,606	22,288,231	(2,766,084)	33,540,787

*These balances are adjusted for non-financial items such as unearned premium, prepayment, 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 2021

(b) Liquidity risk - continued

Company

31 December 2021 in thousands of Nigerian Naira	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	6,895,926	7,137,283	-	-	-	-	7,137,283
Debt instruments at amortised cost	34,546,552	11,206	25,331,006	16,529,957	-	-	41,872,170
Debt instruments at fair value through profit or loss	1,740,043	104,484	104,484	1,044,840	3,182,776	-	4,436,583
Trade receivables	27,788	27,788	-	-	-	-	27,788
Reinsurance assets	1,399,070	1,399,070	-	-	-	-	1,399,070
Other receivables*	843,151	843,151	-	-	-	-	843,151
Total financial assets	45,452,530	9,522,983	25,435,490	17,574,797	3,182,776	-	55,716,046
Investment contract liabilities	30,178,616	7,957,606	7,957,606	15,831,764	609,410	-	32,356,386
Insurance contract liabilities*	8,354,655	6,265,991	2,088,664	-	4,245,615	-	12,600,270
Trade payables*	883,788	883,788	-	-	-	-	883,788
Other liabilities*	690,041	690,041	-	-	-	-	690,041
Total financial liabilities	40,107,100	15,797,427	10,046,270	15,831,764	4,855,025	-	46,530,485
Total liquidity gap	5,345,430	(6,274,444)	15,389,220	1,743,034	(1,672,249)	-	9,185,560
*These balances are adjusted for non-financial items such as unearned premium, prepayment, deferred commission, WHT and VAT payable etc.							
31 December 2020 in thousands of Nigerian Naira	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	2,880,279	2,981,089	-	-	-	-	2,981,089
Debt instruments at amortised cost	22,745,277	36,118	12,787,118	17,970,915	-	-	30,794,150
Debt instruments at fair value through profit or loss	16,019,591	699,847	699,847	6,998,475	22,862,679	-	31,260,849
Reinsurance assets	1,753,926	1,753,926	-	-	-	-	1,753,926
Other receivables*	281,455	281,455	-	-	-	-	281,455
Total financial assets	43,680,529	5,752,435	13,486,965	24,969,389	22,862,679	-	67,071,468
Investment contract liabilities	28,447,267	7,501,078	7,501,078	14,923,494	574,448	-	30,500,099
Insurance contract liabilities*	7,042,325	5,281,744	1,760,581	-	2,766,084	-	9,808,409
Trade payables*	948,256	948,256	-	-	-	-	948,256
Other liabilities*	489,877	489,877	-	-	-	-	489,877
Total financial liabilities	36,927,725	14,220,955	9,261,659	14,923,494	3,340,532	-	41,746,641
Total liquidity gap	6,752,804	(8,468,520)	4,225,306	10,045,895	19,522,147	-	25,324,828
*These balances are adjusted for non-financial items such as unearned premium, prepayment, deferred commission, WHT and VAT payable etc.							

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(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 two types of risk: foreign exchange rates (currency risk) and market interest rates (interest rate 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, pound sterling and CFA Franc.

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 2021			31 December 2020		
<i>in thousands of Nigerian Naira</i>	USD	Pound Sterling	CFA Franc	USD	Pound Sterling	CFA Franc
Cash and cash equivalents	190,145	101,733	-	205,132	100,709	-
Net investment in foreign subsidiaries	1,828,097	-	3,395,725	1,696,731	-	2,804,881

Company	31 December 2021			31 December 2020		
<i>in thousands of Nigerian Naira</i>	USD	Pound Sterling	CFA Franc	USD	Pound Sterling	CFA Franc
Cash and cash equivalents	190,145	101,733	-	205,132	100,709	-

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

	Change in variables	GROUP			
		31 DECEMBER 2021		31 DECEMBER 2020	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
USD	+10%	201,824	141,277	190,186	133,130
Pound Sterling	+10%	10,173	7,121	10,071	7,050
CFA Franc	+10%	339,572	237,701	280,488	196,342
USD	-10%	(201,824)	(141,277)	(190,186)	(133,130)
Pound Sterling	-10%	(10,173)	(7,121)	(10,071)	(7,050)
CFA Franc	-10%	(339,572)	(237,701)	(280,488)	(196,342)

	Impact on profit before tax	Impact on equity	COMPANY	
			31 DECEMBER 2021	31 DECEMBER 2020
			Impact on profit before tax	Impact on equity
	19,015	13,310	20,513	14,359
	10,173	7,121	10,071	7,050
	-	-	-	-
	(19,015)	(13,310)	(20,513)	(14,359)
	(10,173)	(7,121)	(10,071)	(7,050)
	-	-	-	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

(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. The Group is not exposed 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 regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Group Risk and Group Credit, and is subject to review by the Group Credit Committee or the Group Asset and Liability Management Committee (ALCO), as appropriate. The Group ensures it maintains the minimum required capital at all times throughout the year. The table below summarises the minimum required capital across the Group and the regulatory capital held against each of them.

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 2021

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>	2021	2020
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	10,226,886	13,163,031
Regulatory adjustments	(2,057,036)	(1,689,154)
Regulatory available capital resources	8,169,850	11,473,877
Minimum capital based required by regulator	2,000,000	2,000,000
Excess in solvency margin	6,169,850	9,473,877

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

3.2 Capital Management - Continued

The Solvency Margin for the parent as at 31 December 2021 is as follows:

<i>in thousands of Nigerian Naira</i>	2021	2020
Admissible assets		
Cash and cash equivalents	6,895,926	2,880,279
Equity instruments at fair value through OCI	313,393	39,117
Trade receivables	27,788	-
Debt instruments at amortised cost	34,546,552	22,745,277
Debt instruments at fair value through profit or loss	1,740,043	16,019,591
Reinsurance assets	1,426,918	1,702,233
Deferred acquisition costs	294,950	155,557
Investment properties	6,035,000	6,665,000
Investments in subsidiaries	295,038	295,038
Intangible assets	110,409	-
Property, plant and equipment	114,643	91,391
Statutory deposit	200,000	200,000
Total	52,000,660	50,793,484
Admissible liabilities		
Insurance contract liabilities	11,722,189	8,871,956
Investment contract liabilities	30,178,616	28,447,267
Trade payables	895,908	958,905
Other liabilities	1,004,088	874,051
Current income tax liabilities	30,009	167,428
Total	43,830,810	39,319,607
Solvency margin	8,169,850	11,473,877
The higher of 15% of Net premium income and the Minimum Share capital required	2,000,000	2,000,000
Solvency ratio (%)	4.08	5.74

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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:

<i>in thousands of Nigerian Naira</i>	Carrying amount	Insurance Contract Group & Life	Contract Annuity	Investment Contract	Assets cover	Shareholders fund	31 Dec 2021 Total
ASSETS							
Cash and cash equivalents	6,895,926	1,536,036	423,840	3,386,621	5,346,497	1,549,429	6,895,926
Equity instruments at fair value through OCI	313,393	-	-	-	-	313,393	313,393
Debt instruments at amortised cost	34,546,552	9,162,821	-	25,117,953	34,280,774	265,778	34,546,552
Debt instruments at fair value through profit or loss	1,740,043	-	-	1,740,043	1,740,043	-	1,740,043
Trade receivables	27,788	27,788	-	-	27,788	-	27,788
Reinsurance assets	1,586,918	1,586,918	-	-	1,586,918	-	1,586,918
Other receivables	893,113	-	-	-	-	893,113	893,113
Deferred acquisition costs	294,950	-	-	-	-	294,950	294,950
Investment properties	6,035,000	-	-	6,035,000	6,035,000	-	6,035,000
Investments in subsidiaries	1,016,981	-	-	-	-	1,016,981	1,016,981
Intangible assets	110,409	-	-	-	-	110,409	110,409
Property, plant and equipment	114,643	-	-	-	-	114,643	114,643
Deposit for investment in equity shares	100,000	-	-	-	-	100,000	100,000
Statutory deposit	200,000	-	-	-	-	200,000	200,000
Deferred tax assets	341,980	-	-	-	-	341,980	341,980
Total assets	54,217,696	12,313,563	423,840	36,279,617	49,017,020	5,200,676	54,217,696
LIABILITIES							
Insurance contract liabilities	11,722,189	11,347,296	374,893	-	11,722,189	-	11,722,189
Investment contract liabilities	30,178,616	-	-	30,178,616	30,178,616	-	30,178,616
Trade payables	895,908	-	-	-	-	895,908	895,908
Other liabilities	1,004,088	-	-	-	-	1,004,088	1,004,088
Current income tax liabilities	30,009	-	-	-	-	30,009	30,009
Total liabilities	43,830,810	11,347,296	374,893	30,178,616	41,900,805	1,930,005	43,830,810
GAP	10,386,886	966,267	48,947	6,101,001	7,116,215	3,270,671	10,386,886

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2020 Total
ASSETS							
Cash and cash equivalents	2,880,279	982,188	74,027	596,401	1,652,617	1,227,662	2,880,279
Equity instruments at fair value through OCI	39,117	-	-	-	-	39,117	39,117
Debt instruments at amortised cost	22,745,277	7,156,104	267,272	13,383,532	20,806,909	1,938,368	22,745,277
Debt instruments at fair value through profit or loss	16,019,591	-	-	15,251,148	15,251,148	768,443	16,019,591
Reinsurance assets	1,702,233	1,702,233	-	-	1,702,233	-	1,702,233
Other receivables	397,346	-	-	-	-	397,346	397,346
Deferred acquisition costs	155,557	-	-	-	-	155,557	155,557
Investment properties	6,665,000	-	-	6,665,000	6,665,000	-	6,665,000
Investments in subsidiaries	1,016,981	-	-	-	-	1,016,981	1,016,981
Intangible assets	-	-	-	-	-	-	-
Property, plant and equipment	91,391	-	-	-	-	91,391	91,391
Deposit for investment in equity shares	100,000	-	-	-	-	100,000	100,000
Statutory deposit	200,000	-	-	-	-	200,000	200,000
Deferred tax assets	469,865	-	-	-	-	469,865	469,865
Total assets	52,482,638	9,840,525	341,300	35,896,083	46,077,908	6,404,730	52,482,638
LIABILITIES							
Insurance contract liabilities	8,871,956	8,543,259	328,697	-	8,871,956	-	8,871,956
Investment contract liabilities	28,447,267	-	-	28,447,267	28,447,267	-	28,447,267
Trade payables	958,905	-	-	-	-	958,905	958,905
Other liabilities	874,051	-	-	-	-	874,051	874,051
Current income tax liabilities	167,428	-	-	-	-	167,428	167,428
Total liabilities	39,319,607	8,543,259	328,697	28,447,267	37,319,223	2,000,384	39,319,607
GAP	13,163,031	1,297,266	12,603	7,448,816	8,758,685	4,404,346	13,163,031

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2021 in thousands of Nigerian Naira	Note	Group		Company	
		Carrying amount	Fair value	Carrying amount	Fair value
Debt Instruments at amortised cost	20.2	36,515,234	35,751,342	34,546,552	35,310,513
		36,515,234	35,751,342	34,546,552	35,310,513

31 December 2020 in thousands of Nigerian Naira	Note	Group		Company	
		Carrying amount	Fair value	Carrying amount	Fair value
Debt Instruments at amortised cost	20.2	23,797,398	22,938,135	22,745,277	22,898,368
		23,797,398	22,938,135	22,745,277	22,898,368

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2021 in thousands of Nigerian Naira	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity instruments at fair value through OCI	293,867	-	86,962	380,829	293,867	-	19,526	313,393
Debt instruments at fair value through profit or loss	1,740,043	-	-	1,740,043	1,740,043	-	-	1,740,043
	2,033,910	-	86,962	2,120,872	2,033,910	-	19,526	2,053,436
31 December 2020 in thousands of Nigerian Naira	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity instruments at fair value through OCI	20,996	-	59,637	80,633	20,996	-	18,121	39,117
Debt instruments at fair value through profit or loss	16,019,591	-	-	16,019,591	16,019,591	-	-	16,019,591
	16,040,587	-	59,637	16,100,224	16,040,587	-	18,121	16,058,708

Reconciliation of Level 3 item (equity instruments at FVOCI)

in thousands of Nigerian Naira	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
At 1 January	80,633	288,125	39,117	216,059
Unrealised gains/(losses) in OCI	300,196	(207,492)	274,276	(176,942)
	380,829	80,633	313,393	39,117

Unobservable inputs used in measuring fair value

Information about the fair value measurement using significant unobservable inputs (Level 3)

The equity sensitivity measures the impact of a +/-500bps movement in the comparative companies. The sensitivity of the fair values of investment in unlisted equities to changes in the Enterprise value/Sales (EV/sales) multiples and Price to book (P/B) of the comparative companies as at 31 December 2021 is as shown in the table below:

in thousands of Nigerian Naira	Description	Valuation technique	Assumption	Multiple	GROUP		COMPANY	
					31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
					Fair value	Fair value	Fair value	Fair value
Avanage Nigeria Limited	Enterprise Value/Sale	Base	0.57x		18,615	20,996	18,615	20,996
				Sensitivity +5%	19,545	22,046	19,545	22,046
				Sensitivity -5%	17,683	19,946	17,683	19,946
Leasing Company of Liberia	Price to book	Base	1.31x		67,436	41,516	-	-
				Sensitivity +5%	70,808	43,592	-	-
				Sensitivity -5%	64,064	39,440	-	-

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2021 In thousands of Nigerian Naira	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances	-	-	-	-	-	-	-	-
Debt Instruments at amortised cost	-	35,751,342	-	35,751,342	-	35,310,513	-	35,310,513
	-	35,751,342	-	35,751,342	-	35,310,513	-	35,310,513

31 December 2020 In thousands of Nigerian Naira	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances	-	-	-	-	-	-	-	-
Debt Instruments at amortised cost	-	22,938,135	-	22,938,135	-	22,898,368	-	22,898,368
	-	22,938,135	-	22,938,135	-	22,898,368	-	22,898,368

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 2 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 FMDQ market yield of the instruments. The fair values are within Level 1 of the fair value hierarchy.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 26 for the details of the description of valuation techniques used and key inputs to valuation on investment properties.

Significant unobservable valuation input:

Price per square metre Range: (N1,167 - N510,662)

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

in thousands of Nigerian Naira		Group				Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment properties	31 Dec 2021	-	-	6,035,000	6,035,000	-	-	6,035,000	6,035,000
Investment properties	31 Dec 2020	-	-	6,665,000	6,665,000	-	-	6,665,000	6,665,000

During the reporting year ended 31 December 2021, 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.

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 2021

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2021 is as follows:

Group in thousands of Nigerian Naira	Assurance business			Real Estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Cash and cash equivalents	6,895,926	3,745,556	531,089	311	275,428	(3,000)	11,445,310
Investment securities:							
Equity instruments at fair value through OCI	313,393	-	137,420	-	-	(69,984)	380,829
Debt instruments at amortised cost	34,546,552	-	1,079,512	-	889,170	-	36,515,234
Debt instruments at fair value through profit or loss	1,740,043	-	-	-	-	-	1,740,043
Trade receivables	27,788	288,590	51,648	-	-	-	368,026
Reinsurance assets	1,426,918	686,088	(2,859)	-	-	-	2,110,147
Other receivables	893,113	75,136	183,312	(0)	56,626	(3,056)	1,205,131
Deferred acquisition costs	294,950	-	-	-	-	-	294,950
Inventories	-	-	-	44,299	-	-	44,299
Investment properties	6,035,000	-	-	-	-	-	6,035,000
Investments in subsidiaries	1,016,981	-	-	-	-	(1,016,981)	-
Intangible assets	110,409	118,871	-	-	26,520	-	255,801
Property, plant and equipments	114,643	760,391	465,430	0	5,722	(1)	1,346,184
Statutory deposit	200,000	-	-	-	-	-	200,000
Deposit for shares	100,000	-	-	-	-	(100,000)	-
Deferred tax assets	341,980	-	-	-	-	50,658	392,638
Total assets	54,057,696	5,674,632	2,445,553	44,610	1,253,466	(1,142,363)	62,333,593

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2021 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	11,722,189	1,481,569	302,730	-	-	-	13,506,488
Investment contract liabilities	30,178,616	-	-	-	-	-	30,178,616
Trade payables	895,908	531,226	16,620	-	-	-	1,443,754
Other liabilities	1,004,088	266,112	137,191	202,828	60,911	(177,942)	1,493,187
Deposit liabilities	-	-	-	-	1,327,465	-	1,327,465
Current income tax liabilities	30,009	-	160,915	50,750	14,990	(1)	256,663
Deferred tax liabilities	-	-	-	8	(100,328)	846,365	746,044
Total liabilities	43,830,810	2,278,908	617,456	253,585	1,303,038	668,422	48,952,217
EQUITY							
Share capital	8,002,500	1,295,010	488,421	20,000	504,867	(2,308,298)	8,002,500
Foreign currency translation reserve	-	1,285,767	1,267,741	-	-	(993,739)	1,559,768
Revaluation reserve	-	139,140	74,003	-	-	(32,407)	180,736
Fair value reserve	(403,079)	-	-	-	-	(41,764)	(444,843)
Contingency reserve	1,170,181	-	-	-	-	-	1,170,181
Retained earnings/ (accumulated losses)	1,457,284	665,987	4,468	(228,974)	(511,703)	68,948	1,447,073
Shareholders' fund	10,226,886	3,385,904	1,825,697	(208,974)	(6,836)	(3,307,260)	11,915,415
Owners of the parent	10,226,886	3,385,904	1,825,697	(208,974)	(6,836)	(3,307,260)	11,915,415
Non-controlling interests in equity	-	9,821	2,401	-	42,736	1,496,475	1,465,961
Total equity	10,226,886	3,395,725	1,828,097	(208,974)	(49,572)	(1,810,785)	13,381,376
Total liabilities and equity	54,057,696	5,674,632	2,445,553	44,610	1,253,466	(1,142,365)	62,333,593

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2021 is as follows:

Group in thousands of Nigerian Naira	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Gross premium written	11,617,005	3,154,543	733,423	-	-	-	15,504,971
Gross premiums income	10,079,103	2,935,675	723,997	-	-	-	13,738,773
Premiums ceded to reinsurers	(703,624)	(247,006)	(13,155)	-	-	-	(963,784)
Net premiums income	9,375,479	2,688,669	710,842	-	-	-	12,774,989
Fee and commission income	68,683	14,863	-	-	-	-	83,546
Net underwriting income	9,444,162	2,703,532	710,842	-	-	-	12,858,535
Net benefits and claims	4,751,142	1,015,479	381,503	-	-	1	6,148,124
Increase in individual life fund	850,885	-	-	-	-	-	850,885
Increase in annuity reserve	46,196	-	-	-	-	-	46,196
Underwriting expenses	2,420,132	429,394	83,815	-	-	-	2,933,342
Net underwriting expenses	8,068,355	1,444,873	465,318	-	-	1	9,978,547
Underwriting profit	1,375,807	1,258,659	245,524	-	-	(1)	2,879,988
Profit on investment contracts	518,249	-	-	-	-	237,190	755,439
Investment income	397,679	82,990	154,200	-	-	(237,191)	397,679
Fair value loss on investment properties	(4,132,749)	-	-	-	-	-	(4,132,749)
Other income	17,736	64	-	26,201	107,515	125,498	277,016
Impairment charges	310,124	42,798	(24,376)	(28,252)	(68,144)	(689)	231,462
Employees benefit expenses	(626,654)	(215,436)	(113,249)	(500)	(45,870)	-	(1,001,709)
Operating expenses	(1,033,019)	(561,257)	(276,419)	(550)	(249,724)	(134,830)	(2,255,799)
Result of operating activities	(3,172,827)	607,818	(14,320)	(3,100)	(256,221)	(10,023)	(2,848,673)
Finance costs	-	-	-	-	(31,469)	-	(31,469)
Finance income	-	-	-	-	95,711	-	95,711
Profit before income tax	(3,172,827)	607,818	(14,320)	(3,100)	(191,980)	(10,023)	(2,784,431)
Income tax expenses	(37,594)	(161,381)	(168,721)	(753)	103,456	72,213	(192,782)
Net profit for the year	(3,210,421)	446,437	(183,041)	(3,853)	(88,524)	62,190	(2,977,213)
Profit attributable to:							
Owners of the parent	(3,210,421)	436,616	(185,441)	(3,853)	(45,788)	(118,987)	(3,127,875)
Non-controlling interests	-	9,821	2,401	-	(42,736)	181,176	150,662
	(3,210,421)	446,437	(183,041)	(3,853)	(88,524)	62,190	(2,977,213)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2020 is as follows:

Group In thousands of Nigerian Naira	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Cash and cash equivalents	2,880,279	3,052,381	478,747	311	388,745	(2,999)	6,797,464
Investment securities:							
Equity instruments at fair value through OCI	39,117	-	111,500	-	-	(69,984)	80,633
Debt instruments at amortised cost	22,745,277	-	962,566	-	89,555	-	23,797,398
Debt instruments at fair value through profit or loss	16,019,591	-	-	-	-	-	16,019,591
Trade receivables	-	133,491	32,988	-	-	-	166,479
Reinsurance assets	1,702,233	566,940	(2,559)	-	-	-	2,266,613
Other receivables	397,346	35,929	162,156	28,252	8,453	6,965	639,101
Deferred acquisition costs	155,557	-	-	-	-	-	155,557
Inventories	-	-	-	169,799	-	-	169,799
Investment properties	6,665,000	-	-	-	-	-	6,665,000
Investments in subsidiaries	1,016,981	-	-	-	-	(1,016,981)	-
Intangible assets	-	21,320	-	-	12,827	-	34,147
Property, plant and equipments	91,391	707,787	392,950	0	10,113	-	1,202,241
Statutory deposit	200,000	-	-	-	-	-	200,000
Deposit for shares	100,000	-	-	-	-	(100,000)	-
Deferred tax assets	469,865	-	-	-	-	50,658	520,523
Total assets	52,482,638	4,517,848	2,138,348	198,362	509,693	(1,132,341)	58,714,547

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2020 is as follows:

Group in thousands of Nigerian Naira	Assurance business			Real estate	Microfinance		Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance			
LIABILITIES								
Insurance contract liabilities	8,871,956	1,008,208	263,517	-	-	-	-	10,143,681
Investment contract liabilities	28,447,267	-	-	-	-	-	-	28,447,267
Trade payables	958,905	405,958	5,539	-	-	-	-	1,370,403
Other liabilities	874,051	298,801	116,988	353,479	150,766	(177,942)	-	1,616,144
Deposit liabilities	-	-	-	-	301,618	-	-	301,618
Current income tax liabilities	167,428	-	55,571	49,996	14,722	-	-	287,717
Deferred tax liabilities	-	-	-	8	3,636	865,368	-	869,011
Total liabilities	39,319,607	1,712,967	441,616	403,483	470,741	687,426		43,035,841
EQUITY								
Share capital	8,002,500	1,295,010	488,421	20,000	504,867	(2,308,298)	-	8,002,500
Foreign currency translation reserve	-	1,141,360	953,334	-	-	(933,092)	-	1,161,602
Revaluation reserve	-	139,140	74,003	-	-	(32,407)	-	180,736
Fair value reserve	(677,355)	-	-	-	-	(67,684)	-	(745,039)
Contingency reserve	1,054,010	-	-	-	-	-	-	1,054,010
Retained earnings/ (accumulated losses)	4,783,876	219,550	178,572	(225,121)	(480,475)	214,717	-	4,691,119
Shareholders' fund	13,163,031	2,795,060	1,694,331	(205,121)	24,392	(3,126,764)		14,344,929
Owners of the parent	13,163,031	2,795,060	1,694,331	(205,121)	24,392	(3,126,764)	-	14,344,929
Non-controlling interests in equity	-	9,821	2,401	-	14,560	1,306,997	-	1,333,778
Total equity	13,163,031	2,804,881	1,696,731	(205,121)	38,952	(1,819,767)		15,678,707
Total liabilities and equity	52,482,638	4,517,848	2,138,348	198,362	509,693	(1,132,343)		58,714,548

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.2 Financial Assets at amortised cost

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Loans and receivables	20.2.1	14,335,379	12,598,954	12,366,697	11,546,833
Debt instruments at amortised cost	20.2.2	22,179,855	11,198,444	22,179,855	11,198,444
		36,515,234	23,797,398	34,546,552	22,745,277

i. The movement in Financial assets at amortised cost:

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance as at 1 January		24,630,817	29,495,396	23,619,721	28,567,868
Additions during the year		40,622,379	12,404,397	38,476,367	11,198,197
Accrued interest income	9.3	2,153,485	2,068,313	2,151,985	2,066,813
Amounts written off		(168,727)	(2,110)	-	-
Payments received		(30,327,099)	(19,335,179)	(29,333,019)	(18,213,157)
Gross		36,910,856	24,630,817	34,915,055	23,619,721
Expected credit loss		(395,622)	(833,419)	(368,503)	(874,444)
		36,515,234	23,797,398	34,546,552	22,745,277

20.2.1 Loans and receivables

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Term loans	20.2.1.1	14,618,541	13,167,480	12,684,824	12,273,778
Overdrafts		10,655	81,584	-	-
Staff loans	20.2.1.4	96,254	180,280	44,825	144,470
Gross loans and advances		14,725,450	13,429,344	12,729,649	12,418,248
Expected credit loss	3.1.2	(390,071)	(830,390)	(362,952)	(871,415)
		14,335,379	12,598,954	12,366,697	11,546,833
Current		3,924,981	2,479,555	1,982,013	1,445,339
Non-current		10,410,399	10,119,399	10,384,684	10,101,494
		14,335,379	12,598,954	12,366,697	11,546,833

20.2.1.1 Term loans

Prime Exploration and Production Limited	20.2.1.2	12,484,684	12,073,638	12,484,684	12,073,638
Mutual Homes and Properties Limited	20.2.1.3	-	-	200,140	200,140
Other loans to corporates and individuals		2,133,857	1,093,842	-	-
Gross term loans		14,618,541	13,167,480	12,684,824	12,273,778

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.2.1.2 Loan to Prime Exploration and Production Limited

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at 1 January	12,073,638	10,070,981	12,073,638	10,070,981
Interest on loan	1,811,046	2,002,657	1,811,046	2,002,657
Payments received	(1,400,000)	-	(1,400,000)	-
Gross term loans	12,484,684	12,073,638	12,484,684	12,073,638
Expected credit loss	(162,550)	(670,222)	(162,550)	(670,222)
	12,322,134	11,403,416	12,322,134	11,403,416

On 1 August 2020, the Company restructured the loan facility to Prime Exploration and Production Limited (PEPL) for the development and production of hydrocarbons in Asaramatoru marginal oil field on the following key terms

- The bullet payment of N11,363,929,724 due on the old loan on 31 July 2020 was rolled over as the principal of the new facility.
- A tenure period of 5 years to end on the 1 August 2025, subject to a 12 months moratorium on principal and interest
- Interest rate of 15% per annum
- Repayment sum of N700million payable every four months to commence on 1 August 2021
- A bullet payment of N11,770,094,000 is due on 1 August 2025

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 the Company 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.

20.2.1.3 Loan to Mutual Homes and Properties Limited

Included in loans and advances for the Company is the loan balance of ₦200,140,000 (2020: ₦200,140,000) 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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at 1 January		-	-	200,140	221,340
Additions		-	-	-	-
Interest on loan		-	-	200,140	221,340
Interest waiver		-	-	18,013	19,921
Payments		-	-	(18,013)	(19,921)
Gross term loans		-	-	-	(21,200)
Expected Credit loss		-	-	200,140	200,140
		-	-	(200,140)	(200,140)

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.2.1.4 Staff loans

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at 1 January	180,280	196,163	144,470	150,983
Additions	54,184	90,153	52,684	59,379
Interest on loan	3,557	2,983	2,057	1,483
Payments received	(141,767)	(109,019)	(154,386)	(67,374)
Gross	96,254	180,280	44,825	144,470
Expected Credit loss	(563)	(1,314)	(262)	(1,053)
	95,691	178,966	44,563	143,417

20.2.1.5 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 2021				
Gross	827,206	13,898,244	44,825	12,684,824
Expected credit loss	(138,172)	(251,899)	(262)	(362,690)
Net Balance	689,034	13,646,345	44,563	12,322,134
31 December 2020				
Gross	332,726	13,096,618	144,470	12,273,778
Expected credit loss	(92,743)	(737,647)	(1,053)	(870,362)
Net Balance	239,983	12,358,971	143,417	11,403,416

20.2.2 Debt instruments at amortised cost

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Federal Government of Nigeria Treasury bills	22,185,407	11,201,473	22,185,407	11,201,473
Total Gross Amount	22,185,407	11,201,473	22,185,407	11,201,473
Expected credit loss (ECL) 3.1.2	(5,551)	(3,029)	(5,551)	(3,029)
	22,179,855	11,198,444	22,179,856	11,198,444
Current	22,179,855	11,198,444	22,179,856	11,198,444
Non-current	-	-	-	-
	22,179,855	11,198,444	22,179,856	11,198,444

The treasury bills are made for varying periods above three months and are subject to an average interest rate of 4.3% per annum (2020: 12.3%).

20.2.3 The movement in Debt Instruments at amortised cost

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
At 1 January	11,201,473	18,124,564	11,201,473	18,124,564
Additions during the year	38,423,684	11,138,819	38,423,684	11,138,819
Accrued interest income	338,882	62,673	338,882	62,673
Redemption at maturity	(27,778,632)	(18,124,583)	(27,778,632)	(18,124,583)
At 31 December	22,185,407	11,201,473	22,185,407	11,201,473

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.3 Financial assets at fair value through profit or loss

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Federal Government of Nigeria Bonds	1,740,043	16,019,591	1,740,043	16,019,591
	1,740,043	16,019,591	1,740,043	16,019,591
Current	-	-	-	-
Non-current	1,740,043	16,019,591	1,740,043	16,019,591
	1,740,043	16,019,591	1,740,043	16,019,591

The breakdown of the Group's bonds at the reporting date are analysed below:

Bond	Coupon Rate	Settlement Date	Maturity Date	Face Value N'000	Fair Value N'000
Federal Government of Nigeria	12.15%	16/10/2019	18/07/2034	1,720,000	1,740,043
				1,720,000	1,740,043

20.3.1 The movement in Financial assets at FVTPL

	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at 1 January	16,019,591	4,291,374	16,019,591	4,291,374
Additions during the year	-	9,124,087	-	9,124,087
Accrued interest income	95,038	368,787	95,038	368,787
Redemption at maturity or disposal	(10,231,068)	-	(10,231,068)	-
Fair value adjustments through profit or loss	10 (4,143,518)	2,235,343	(4,143,518)	2,235,343
At 31 December	1,740,043	16,019,591	1,740,043	16,019,591

21 Trade receivables

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Trade receivables	21.1	368,026	166,479	27,788	-
		368,026	166,479	27,788	-
Current		368,026	166,479	27,788	-
Non-current		-	-	-	-
		368,026	166,479	27,788	-

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

21.1 Analysis of Insurance receivables by counter party

	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Gross				
Due from Insurance brokers	460,163	234,237	27,788	-
	460,163	234,237	27,788	-
Allowance for impairment				
Due from Insurance brokers	(92,137)	(67,758)	-	-
	(92,137)	(67,758)	-	-
	368,026	166,479	27,788	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued
21.1.1 Analysis of movement in ECL

	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at 1 January	67,758	23,874	-	-
Additions during the year	24,379	43,884	-	-
	92,137	67,758	-	-

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

0 – 30 days	27,788	-	27,788	-
31 – 60 days	340,238	166,479	-	-
61 – 90 days	92,137	67,758	-	-
	460,163	234,237	27,788	-

22 Reinsurance assets

Recoverable on reported outstanding claims	22.1	1,299,482	1,456,297	1,299,482	1,456,298
Recoverable on paid claims	22.2	237,030	350,863	237,030	350,863
Prepaid reinsurance	22.3	50,406	55,072	50,406	55,072
Reinsurance debtors		683,229	564,381	-	-
		2,270,147	2,426,613	1,586,918	1,862,233
Expected credit loss		(160,000)	(160,000)	(160,000)	(160,000)
		2,110,147	2,266,613	1,426,918	1,702,233
Current		2,110,147	2,266,613	1,426,918	1,702,233
Non-current		-	-	-	-
		2,110,147	2,266,613	1,426,918	1,702,233

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

22.1 Analysis of amounts recoverable on outstanding claims

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Recoverable on reported outstanding claims		1,162,040	1,403,063	1,162,040	1,403,063
Recoverable on outstanding claims-IBNR		137,442	53,235	137,442	53,235
	22.1.1	1,299,482	1,456,298	1,299,482	1,456,298

22.1.1 The movement in amounts recoverable on outstanding claims

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at the beginning of the year		1,456,298	1,597,133	1,456,298	1,597,133
Changes in recoverable on outstanding claims	6	(156,816)	(140,835)	(156,816)	(140,835)
Balance at the end of the year		1,299,482	1,456,298	1,299,482	1,456,298

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2021

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 2020 is as follows:

Group in thousands of Nigerian Naira	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Gross premium written	8,433,063	1,763,513	579,760	-	-	-	10,776,337
Gross premiums income	8,525,403	1,888,264	615,944	-	-	-	11,029,611
Premiums ceded to reinsurers	(947,345)	(133,537)	(6,450)	-	-	-	(1,087,332)
Net premiums income	7,578,058	1,754,727	609,494	-	-	-	9,942,279
Fee and commission income	179,529	22,129	-	-	-	-	201,658
Net underwriting income	7,757,587	1,776,856	609,494	-	-	-	10,143,937
Net benefits and claims	3,577,780	789,629	72,153	-	-	-	4,439,562
Increase in individual life fund	192,942	-	-	-	-	-	192,942
Increase in annuity reserve	3,997	-	-	-	-	-	3,997
Underwriting expenses	2,191,949	513,830	78,628	-	-	-	2,784,407
Net underwriting expenses	5,966,668	1,303,459	150,781	-	-	-	7,420,908
Underwriting profit	1,790,919	473,397	458,713	-	-	-	2,723,029
Profit on investment contracts	1,283,257	-	-	-	-	180,876	1,464,133
Investment income	416,303	95,336	85,539	-	-	(180,876)	416,303
Fair value loss on investment properties	2,165,343	-	-	-	-	-	2,165,343
Other income	62,031	2,675	-	(263,882)	13,443	266,355	80,623
Impairment charges	(896,583)	(2,302)	(43,885)	-	(93,625)	200,884	(835,511)
Employees benefit expenses	(626,356)	(153,482)	(106,258)	(1,125)	(40,967)	-	(928,188)
Operating expenses	(1,057,029)	(300,222)	(272,204)	(575)	(51,357)	(266,355)	(1,947,742)
Result of operating activities	3,137,885	115,402	121,904	(265,582)	(172,506)	200,884	3,137,990
Finance costs	-	-	-	-	(10,263)	-	(10,263)
Finance income	-	-	-	-	31,970	-	31,970
Profit before income tax	3,137,885	115,402	121,904	(265,582)	(150,799)	200,884	3,159,697
Income tax expenses	246,929	(144,725)	(45,412)	30,308	(445)	3	86,656
Net profit for the year	3,384,814	(29,323)	76,492	(235,274)	(151,244)	200,887	3,246,353
Profit attributable to:							
Owners of the parent	2,497,294	(39,145)	74,091	(235,274)	(108,508)	1,080,501	3,268,960
Non-controlling interests	-	9,821	2,401	-	(42,736)	7,907	(22,607)
	2,497,294	(29,323)	76,492	(235,274)	(151,244)	200,887	3,246,353

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	
		2021	2020	2021	2020
4.1 Gross premium written					
Group life		8,962,499	6,106,067	8,598,880	5,915,655
Individual life		3,052,022	2,529,993	3,018,125	2,517,408
Non-life		3,490,450	2,140,277	-	-
		15,504,971	10,776,337	11,617,005	8,433,063
4.2 Gross premium income					
Gross premium written		15,504,971	10,776,337	11,617,005	8,433,063
Changes in unearned premium		(1,766,198)	253,274	(1,537,902)	92,340
		13,738,773	11,029,611	10,079,103	8,525,403
4.3 Premiums ceded to reinsurers					
Reinsurance premium cost		959,118	1,070,476	698,958	930,489
Changes in prepaid reinsurance cost		4,666	16,856	4,666	16,856
	22.3	963,784	1,087,332	703,624	947,345
4.4 Net premium income	32.3	12,774,989	9,942,279	9,375,479	7,578,058
5 Commission income					
Commission income from reinsurance		83,546	201,658	68,683	179,529
		83,546	201,658	68,683	179,529
6 Net benefits and claims					
Claims paid		6,419,421	4,308,102	5,183,413	3,946,128
Change in outstanding claims		699,527	1,145,963	415,248	646,155
Claims recoveries	22.2.1	(1,127,640)	(1,155,338)	(1,004,335)	(1,155,338)
Change in outstanding claims - recoverables	22.1.1	156,816	140,835	156,816	140,835
		6,148,124	4,439,562	4,751,142	3,577,780
7 Underwriting expenses					
Amortisation of deferred acquisition costs	24	1,257,951	1,230,144	744,741	637,686
Maintenance costs	7.1	1,675,391	1,554,263	1,675,391	1,554,263
		2,933,342	2,784,407	2,420,132	2,191,949

Underwriting expenses can be sub-divided into commission expenses (acquisition costs) and maintenance costs. 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. Maintenance costs 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	
		2021	2020	2021	2020
Marketing expenses		648,138	579,410	648,138	579,410
Training and Forum for marketers		336,747	350,024	336,747	350,024
Agency allowance		364,472	326,645	364,472	326,645
Agency unit manager allowance		247,088	220,754	247,088	220,754
Transport & Travelling - Corporate		40,000	40,765	40,000	40,765
Administrative charges - Group Life		13,559	11,084	13,559	11,084
Postage stamp duty expenses		16,416	14,917	16,416	14,917
Agency training		3,802	5,114	3,802	5,114
Group life actuary valuation report fee		4,000	4,000	4,000	4,000
Underwriting medical expenses		1,058	1,550	1,058	1,550
		1,675,391	1,554,263	1,675,391	1,554,263

8 Investment income allocation

		GROUP		COMPANY	
		2021	2020	2021	2020
Income earned on Investment contracts funds	8.1	3,207,573	3,624,605	3,207,573	3,624,605
Investment income from Insurance contracts funds	9.1	699,777	1,149,248	462,586	972,154
Investment income from Shareholders funds	9.2	55,662	314,885	55,662	311,105
		3,963,012	5,088,738	3,725,821	4,907,864

8.1 Profit/(loss) on investment contracts funds

Income earned on Investment contracts funds		2,781,907	3,077,528	2,781,907	3,077,528
Net income derived from investment properties	8.2	16,148	153,315	16,148	153,315
Surrender fee		409,518	393,762	409,518	393,762
	8	3,207,573	3,624,605	3,207,573	3,624,605
Guaranteed interest		(1,428,000)	(2,146,434)	(1,428,000)	(2,146,434)
Acquisition cost on investment policies		(1,381,894)	(1,061,868)	(1,381,894)	(1,061,868)
		397,679	416,303	397,679	416,303

8.2 Investment related expenses

Income earned on investment property		177,798	210,041	177,798	210,041
Investment related expenses	26.2	(161,650)	(56,726)	(161,650)	(56,726)
		16,148	153,315	16,148	153,315

9 Investment income
9.1 Investment income from Insurance contracts funds

Interest income on loans and advances		2,084	23,318	2,084	23,318
Interest income on fixed term deposits		336,626	245,069	99,435	64,193
Interest from current accounts with banks		101	1,271	101	1,270
Interest income from treasury bills		360,966	863,136	360,966	863,136
		699,777	1,132,792	462,586	951,916

9.2 Investment income from Shareholders funds

Interest income on fixed term deposits		42,178	74,612	42,178	74,612
Interest income on statutory deposits		5,083	26,094	5,083	26,094
Interest from current accounts with banks		4,327	1,476	4,327	1,476
Interest income from treasury bills		4,074	225,379	4,075	225,379
Dividend income		-	3,780	-	3,780
		55,662	331,341	55,663	331,341
		755,439	1,464,133	518,249	1,283,257

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

9.3 Analysis of Investment Income received

		GROUP		COMPANY	
		2021	2020	2021	2020
Investment income	9	755,439	1,464,133	518,248	1,283,259
Income earned on investment contracts	8.1	3,207,573	3,624,605	3,207,573	3,624,605
Accrued Interest on Financial assets at amortised cost	20.2	(2,153,485)	(2,068,313)	(2,151,985)	(2,066,813)
Accrued Interest on Financial assets at FVTPL	20.3.1	(95,038)	(368,787)	(95,038)	(368,787)
		<u>1,714,489</u>	<u>2,651,638</u>	<u>1,478,798</u>	<u>2,472,264</u>

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

		GROUP		COMPANY	
<i>In thousands of Nigerian Naira</i>		2021	2020	2021	2020
Net fair value (loss)/gain on financial assets at FVTPL	20.5.1	(4,143,518)	2,235,343	(4,143,518)	2,235,343
Fair value gain/(loss) on Investment properties	26.1	10,769	(70,000)	10,769	(70,000)
		<u>(4,132,749)</u>	<u>2,165,343</u>	<u>(4,132,749)</u>	<u>2,165,343</u>

11 Other Income

Net foreign exchange - gain	16,822	62,372	16,822	61,138
Net income from sale of inventory materials	150,650	2,475	-	-
Gain on disposal of property, plant and equipment	914	5,195	914	893
Micro finance fees and commission	107,356	7,441	-	-
Commission on turnover	229	1,700	-	-
Others	1,045	1,440	-	-
	<u>277,016</u>	<u>80,623</u>	<u>17,736</u>	<u>62,031</u>

12 Impairment (reversal)/loss on financial assets

Cash & cash equivalents	3.1.2(vi)(a)	(17,491)	9,451	25,307	7,148
Loans & receivables	3.1.2(vi)(b)	(440,319)	363,710	(508,463)	470,225
Debt instruments at amortised cost	3.1.2(vi)(c)	2,522	(1,153)	2,522	(1,153)
Other receivables & prepayments	23.5	199,447	419,618	170,510	420,363
Trade receivables	21.1.1	24,379	43,885	-	-
		<u>(231,462)</u>	<u>835,511</u>	<u>(310,124)</u>	<u>896,583</u>

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	
		2021	2020	2021	2020
Wages and salaries		952,517	872,715	579,127	573,020
National Social Insurance Trust Fund		5,460	9,257	5,460	9,257
Industrial Training Fund		6,481	9,278	6,008	8,927
Staff Group Life Insurance		6,771	7,340	6,771	7,340
Defined contribution pension costs	13.1	30,480	29,598	29,288	27,812
		1,001,709	928,188	626,654	626,356

- 13.1 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	
		2021	2020	2021	2020
Amortisation of intangible assets	28	110,663	2,187	13	22
Auditors' remuneration	14.1	22,921	20,432	17,000	17,000
Bad debt written off		168,727	2,110	-	-
Bank charges		74,298	84,924	64,101	79,941
Business entertainments		19,701	23,080	14,730	11,598
Computer repairs and maintenance		7,119	14,945	3,458	10,134
Depreciation of property, plant & equipment	29	139,007	111,696	54,433	71,126
Directors fee and allowance and expenses		127,384	71,381	29,475	7,500
Gifts and promotional items		29,924	13,915	24,440	5,801
Donations		2,765	2,500	600	2,500
Insurance		5,007	9,068	1,251	5,789
NAICOM supervisory fee		258,837	297,986	258,837	297,986
Legal and consultancy fees		152,582	151,460	44,191	94,016
Medical expenses		30,699	33,901	16,283	23,062
Motor vehicle running expenses		135,743	118,492	120,263	115,720
Newspapers and periodicals		245	170	245	170
Printing and stationery		71,830	59,878	13,865	16,723
Public relations and advertising		69,396	100,488	7,477	2,911
Rents and Rates		66,057	82,769	49,300	62,266
Repairs and maintenance		182,102	199,379	78,326	93,359
Security expenses		14,442	12,259	2,902	3,728
Subscriptions		35,138	13,742	26,232	7,725
Telecommunication expenses		44,304	45,213	28,994	37,038
Other expenses	14.3	195,952	120,841	29,195	8,907
Training and recruitment		70,535	56,216	69,133	54,452
Exchange loss		50,941	-	50,941	-
Transport and travelling		34,314	19,342	17,665	14,543
Inventory written down	14.2	125,500	266,357	-	-
Utilities		9,666	13,011	9,669	13,012
		2,255,799	1,947,742	1,033,019	1,057,029

- 14.1 The external auditor did not perform any non-audit services during the year ended 31 December 2021.
- 14.2 The Group incurred an impairment loss on its real estate inventory items (building material) from their write down value to net realisable value.
- 14.3 Other expenses includes professional fees (49m), social security taxes (95m) and other general expenses.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

15 Finance costs

Interest expense calculated using the effective interest method

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	2021	2020	2021	2020
Interest charge on deposits	31,160	9,727	-	-
Interest on savings account	309	536	-	-
	31,469	10,263	-	-

16 Finance income

Interest income calculated using the effective interest method

Interest income on micro/SME loans	94,943	31,562	-	-
Interest income on overdraft	34	-	-	-
Interest income on treasury bills	734	408	-	-
	95,711	31,970	-	-

17 Income tax expense/(credit)

17.1 Current income tax charge

Company income tax	184,968	190,599	-	-
Minimum tax	9,934	7,115	9,934	7,115
Information technology tax	-	31,379	-	31,379
Under/(over) provision of tax in prior years	46,169	-	(100,226)	-
Total current income tax expense	37	241,072	229,092	(90,291)
			38,494	

17.2 Deferred tax

Relating to origination and reversal of temporary differences	(48,289)	(315,748)	127,885	(285,423)
Total deferred tax	(48,289)	(315,748)	127,885	(285,423)
Total income tax expense/(credit)	192,782	(86,656)	37,594	(246,929)

17.3 Reconciliation of tax charge

(Loss)/profit before income tax	(2,784,431)	3,159,697	(3,172,827)	3,137,885
Tax at Nigerian's statutory income tax rate of 30% (2020: 30%)	(835,329)	947,909	(951,848)	941,366
Effect of:				
Tax exempt income	(1,763,654)	(3,182,620)	(1,763,654)	(3,182,620)
Expenses not deductible for tax purposes	2,735,663	2,109,561	2,843,387	1,955,831
Prior year under/(over) provision of tax	46,169	-	(100,226)	-
Information Technology tax	-	31,379	-	31,379
Minimum tax	9,934	7,115	9,934	7,115
	192,782	(86,656)	37,594	(246,929)
Effective Tax Rate	(13%)	(3%)	(1%)	(8%)

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, 2020)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

18 (Loss)/earnings per share

18.1 (Loss)/earnings per share - Basic

Basic Loss/Earnings per share is calculated by dividing the loss/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 loss/earning per share computations:

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
(Loss)/profit attributable to equity holders		(3,127,875)	3,268,960	(3,210,421)	3,384,814
Weighted average number of ordinary shares for basic earnings per share	18.2	8,002,500	8,002,500	8,002,500	8,002,500
Basic (loss)/earnings per ordinary share (kobo)		(39)	41	(40)	42

18.2 Weighted average number of ordinary shares - basic

Issued ordinary shares at 1 January		8,002,500	330,000	8,002,500	330,000
Issued during the year		-	7,672,500	-	7,672,500
As at 31 December		8,002,500	8,002,500	8,002,500	8,002,500
Weighted average number of ordinary shares for basic earnings per share in line with IAS 33		8,002,500	8,002,500	8,002,500	8,002,500

18.3 Earnings per share- Diluted

Weighted average number of ordinary shares for diluted earnings per share	18.2	8,002,500	8,002,500	8,002,500	8,002,500
As at 31 December		8,002,500	8,002,500	8,002,500	8,002,500
Diluted earnings per ordinary share (kobo)		(39)	41	(40)	42
Weighted average number of ordinary shares for diluted earnings per share in line with IAS 33		8,002,500	8,002,500	8,002,500	8,002,500

The issued and fully paid ordinary shares were increased to 8,002,500,000 from the allotment of bonus shares on the 15 October 2020 from the Share premium and retained earnings at the rate of 93 new ordinary shares for every 4 old shares held by the shareholders of the Company.

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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Cash on hand		1,946	892	62	37
Cash in banks	19.1	4,408,834	3,505,755	1,359,375	1,218,864
Short-term deposits	19.1	7,077,016	3,350,794	5,575,975	1,675,557
Total Gross Amount		11,487,796	6,857,441	6,935,412	2,894,458
Expected credit loss (ECL) allowance	3.1.2	(42,486)	(59,977)	(39,486)	(14,179)
		11,445,310	6,797,464	6,895,926	2,880,279

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 5.5% per annum (2020: 4.8%).

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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Financial assets at fair value through	20.1	380,829	80,633	313,393	39,117
Financial assets at amortised cost	20.2	36,515,234	23,797,398	34,546,552	22,745,277
Financial assets at FVPL	20.3	1,740,043	16,019,591	1,740,043	16,019,591
		38,636,106	39,897,622	36,599,988	38,803,985
Current		26,104,836	13,677,999	24,161,869	12,643,783
Non-current		12,531,271	26,219,623	12,438,119	26,160,202
		38,636,106	39,897,622	36,599,988	38,803,985

20.1 Financial assets at fair value through OCI

The Infrastructure Bank Plc	293,867	18,121	293,867	18,121
Leasing Company of Liberia	67,436	41,516	-	-
Avanage Nigeria Limited	19,526	20,996	19,526	20,996
	380,829	80,633	313,393	39,117

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.1 Financial assets at fair value through OCI

Movement in equity instruments at fair value through OCI

Group	31 December 2021				
<i>In thousands of Nigerian Naira</i>	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
The Infrastructure Bank Plc	18,121	-	-	275,746	293,867
Leasing Company of Liberia	41,516	-	-	25,920	67,436
Avanage	20,996	-	-	(1,470)	19,526
	80,633	-	-	300,196	380,829

Company	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
<i>In thousands of Nigerian Naira</i>					
The Infrastructure Bank Plc	18,121	-	-	275,746	293,867
Avanage	20,996	-	-	(1,470)	19,526
	39,117	-	-	274,276	313,393

Group	31 December 2020				
<i>In thousands of Nigerian Naira</i>	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
The Infrastructure Bank Plc	189,627	-	-	(171,506)	18,121
Leasing Company of Liberia	72,066	-	-	(30,550)	41,516
Avanage	26,432	-	-	(5,436)	20,996
	288,125	-	-	(207,492)	80,633

Company	Opening balance	Addition	Disposal	Fair value adjustment	Closing balance
<i>In thousands of Nigerian Naira</i>					
The Infrastructure Bank Plc	189,627	-	-	(171,506)	18,121
Avanage	26,432	-	-	(5,436)	20,996
	216,059	-	-	(176,942)	39,117

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued
22.2 Analysis of amounts recoverable on paid claims

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Gross amounts recoverable	22.2.1	237,030	350,863	237,030	350,863
Impairment	22.2.2	(160,000)	(160,000)	(160,000)	(160,000)
Net amount recoverable		77,030	190,863	77,030	190,863

22.2.1 The movement in amounts recoverable on paid claims

Balance at the beginning of the year		350,863	458,866	350,863	458,866
Addition during the year	6	1,127,640	1,155,338	1,004,335	1,155,338
Receipts during the year		(1,241,473)	(1,263,341)	(1,118,168)	(1,263,341)
Balance at the end of the year		237,030	350,863	237,030	350,863

22.2.2 The movement in impairments of amounts recoverable on paid claims

Balance at the beginning of the year		160,000	160,000	160,000	160,000
Addition during the year		-	-	-	-
Balance at the end of the year		160,000	160,000	160,000	160,000

22.2.3 Aging of recoverable on paid claims

0 - 90		81,005	128,446	81,005	128,446
91 - 180		47,982	17,665	47,982	17,665
181 - 270		21,284	28,364	21,284	28,364
271 - 360		16,816	6,804	16,816	6,804
361 and above		69,942	169,583	69,942	169,583
Balance at the end of the year		237,030	350,863	237,030	350,863

22.3 The movement in prepaid reinsurance

Balance at the beginning of the year		55,072	71,928	55,072	71,928
Additions during the year	34.1	959,118	1,070,476	698,958	930,489
Recognised in profit or loss	4.3	(963,784)	(1,087,332)	(703,624)	(947,345)
Balance at the end of the year		50,406	55,072	50,406	55,072

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23 Other receivables and prepayments

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Short term rent prepayment		69,197	57,420	60,209	50,595
Other bank balances	23.1	6,690	6,104	6,690	6,104
Advance commission to retail agents		6,653	9,750	6,653	9,750
Amount due from related party - MB Plc	23.2	613,595	178,944	613,595	178,944
ATM cards with staff		529	640	-	-
Other receivables	23.3	1,200,010	878,343	866,207	641,686
		1,896,678	1,131,201	1,553,356	887,079
Expected credit loss on other receivables	23.4	(691,547)	(492,100)	(660,243)	(489,733)
		1,205,131	639,101	893,113	397,346
Current		1,205,131	639,101	893,113	397,346
Non-current		-	-	-	-
		1,205,131	639,101	893,113	397,346

Other receivables and prepayments are non-interest bearing. The financial element of the other receivables and prepayments includes; other bank balances, advance commission to retail agents, amount due from related party - MB Plc, excess interest charges, rent receivables, investment placement with Flourish Securities and BGL Securities and sundry receivables.

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 Amount due from related party -MB Plc represents the balance receivable from operational transactions between the Company and its parent company. The sales to and purchases from the related party 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.

23.3 Analysis of other receivables is as shown below:

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Non-financial instruments					
Excess interest charges		6,390	6,390	6,390	6,390
WHT recoverable		101,080	113,990	101,080	113,990
VAT Input on Alpha Court property		176,500	176,500	176,500	176,500
Other trade receivables		148,871	129,996	-	-
		432,841	426,876	283,970	296,880
Financial instruments					
Rent receivables		358,500	212,267	358,500	212,267
Receivables from property buyers		156,911	25,127	131,784	-
Property development debtors		3,123	12,455	-	-
Investment placement with Flourish Securities Investments and Trust 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		202,753	155,736	46,071	86,657
		767,169	451,467	582,237	344,806
		1,200,010	878,343	866,207	641,686

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23.4 Expected credit loss on other receivables

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, 2021 has also incorporated forward looking information.

31 Dec-2021		GROUP		COMPANY	
	ratio	Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
<i>In thousands of Nigerian Naira</i>					
Current	1%	505,264	5,053	199,711	1,997
More than 30 days past due	4%	-	-	-	-
More than 60 days past due	7%	-	-	-	-
More than 90 days past due	12%	-	-	-	-
More than 180 days past due	50%	16,500	8,248	16,500	8,250
Individual impairment:					
WHT Recoverable	100%	101,080	101,080	101,080	101,080
Receivables from property buyers	100%	25,127	25,127	-	-
Property development debtors	100%	3,123	3,123	-	-
Rent receivables	100%	320,000	320,000	320,000	320,000
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
VAT recoverable on Alpha Court Property	100%	176,500	176,500	176,500	176,500
Other receivables	100%	144	144	144	144
Total		1,200,010	691,547	866,207	660,243

31 Dec-2020		GROUP		COMPANY	
	ratio	Carrying amount at default	Expected credit loss	Carrying amount at default	Expected credit loss
<i>In thousands of Nigerian Naira</i>					
Current	1%	323,314	3,233	86,657	867
More than 30 days past due	4%	-	-	-	-
More than 60 days past due	7%	-	-	-	-
More than 90 days past due	12%	-	-	-	-
More than 180 days past due	50%	113,990	47,828	113,990	47,827
Individual impairment:					
Rent receivables	100%	212,267	212,267	212,267	212,267
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
VAT recoverable on Alpha Court Property	100%	176,500	176,500	176,500	176,500
Total		878,343	492,100	641,686	489,733

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23.5 The movement in expected credit loss on other receivables

(a) Group		31 Dec-2021	31 Dec-2020
	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Impairment provision
<i>In thousands of Nigerian Naira</i>			
As at 1 January	3,233	488,867	492,100
Additions during the year	4,770	197,627	202,397
Recoveries	(2,950)	-	(2,950)
Balance at 31 December	5,053	686,494	691,547

(b) The movement in expected credit loss on other receivables

Company		31 Dec-2021	31 Dec-2020
	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Impairment provision
<i>In thousands of Nigerian Naira</i>			
As at 1 January	867	488,866	489,733
Additions during the year	1,997	169,380	171,377
Recoveries	(867)	-	(867)
Balance at 31 December	1,997	658,246	660,243

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

		GROUP		COMPANY	
<i>In thousands of Nigerian Naira</i>	Notes	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Property development debtors		93	-	-	-
Receivables from property buyers		-	1,243	-	800
Other trade receivables		1,300	2,161	-	-
Sundry receivables		1,557	904	867	397
Balance at 31 December		2,950	4,308	867	1,197

24 Deferred acquisition costs

Balance at the beginning of the year		155,557	171,230	155,557	171,230
Additions during the year		1,397,344	1,214,471	884,134	622,013
Amortisation of DAC	7	(1,257,951)	(1,230,144)	(744,741)	(637,686)
Balance at the end of the year		294,950	155,557	294,950	155,557
Current		294,950	155,557	294,950	155,557
Non-current		-	-	-	-
		294,950	155,557	294,950	155,557

25 Inventories

Buiding materials		44,299	169,799	-	-
		44,299	169,799	-	-
Current		44,299	169,799	-	-
Non-current		-	-	-	-
		44,299	169,799	-	-

During the year, the sum of N125.5 million was written down from the value of inventories to properly state the resale value.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

26 Investment properties

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at the beginning of the year		6,665,000	6,875,000	6,665,000	6,875,000
Additions		-	-	-	-
Disposal		(640,769)	(140,000)	(640,769)	(140,000)
Fair value gain/(loss) on investment properties	10	10,769	(70,000)	10,769	(70,000)
		6,035,000	6,665,000	6,035,000	6,665,000

The Items of investment properties are as shown below:

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Mutual Tulp Estate	i	180,000	500,000	180,000	500,000
Property at Ikeja Alausa	ii	350,000	350,000	350,000	350,000
Property at Sango/Idiroko - Mogga	iii	80,000	80,000	80,000	80,000
Property at Sango/Idiroko - Caxtonjo	iv	50,000	50,000	50,000	50,000
Property at Akure Plots (5,320 Square Meters)	v	200,000	200,000	200,000	200,000
Property at Ado Ekiti Land	vi	700,000	700,000	700,000	700,000
	vii	3,400,000	3,625,000	3,400,000	3,625,000
Mutual Alpha Court duplex, Costain, Lagos					
Property at Onireke, Ibadan	viii	325,000	410,000	325,000	410,000
Property at Asokoro, Abuja	ix	650,000	650,000	650,000	650,000
Property at Oyingbo, Lagos	x	100,000	100,000	100,000	100,000
Balance at the end of the year		6,035,000	6,665,000	6,035,000	6,665,000

26.1 Movement in investment properties is shown below:

	Bal as at 1.1.2021	Additions	Disposal	Fair value gain/(loss)	Bal as at 31.12.2021
Mutual Tulp Estate	500,000	-	(319,357)	(643)	180,000
Property at Ikeja Alausa	350,000	-	-	-	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	700,000	-	-	-	700,000
Mutual Alpha Court duplex, Costain, Lagos	3,625,000	-	(236,412)	11,412	3,400,000
Property at Onireke, Ibadan	410,000	-	(85,000)	-	325,000
Property at Asokoro, Abuja	650,000	-	-	-	650,000
Property at Oyingbo, Lagos	100,000	-	-	-	100,000
Balance at the end of the year	6,665,000	-	(640,769)	10,769	6,035,000

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

26.1 Movement in Investment properties is shown below:

	Bal as at 1.1.2020	Additions	Disposal	Fair value gain/(loss)	Bal as at 31.12.2020
Mutual Tulip Estate	500,000	-	-	-	500,000
Property at Ikeja Alausa	350,000	-	-	-	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	700,000	-	-	-	700,000
Mutual Alpha Court duplex, Costain, Lagos	3,625,000	-	-	-	3,625,000
Property at Onireke, Ibadan	550,000	-	(140,000)	-	410,000
Property at Asokoro, Abuja	650,000	-	-	-	650,000
Property at Oyingbo, Lagos	170,000	-	-	(70,000)	100,000
Balance at the end of the year	6,875,000	-	(140,000)	(70,000)	6,665,000

Investment properties are stated at fair value, which has been determined based on valuations performed by Messr Alabi, Ojo & Makinde Consulting, signed by ESV Otunba Saheed Makinde (FRC/2015/NIESV/00000010800 and Messr Arigbede & Co Estate Surveyors and Valuers (FRC/2014/00000004634), accredited independent valuers as at 31 December 2021. 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 ₦177,674,000 (2020: ₦210,041,000) 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

26 Investment property - Continued

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Rental income derived from investment properties		177,674	210,041	177,674	210,041
Fair value gain/(loss) on investment properties	10	10,769	(70,000)	10,769	(70,000)
Direct operating expenses on investment properties	26.2	(161,650)	(56,726)	(161,650)	(56,726)
Profit arising from investment properties carried at fair value		26,793	83,315	26,793	83,315

26.2 Investment properties related expenses

Property repairs and maintenance cost		17,060	20,289	17,060	20,289
Facility management		2,230	6,437	2,230	6,437
Loss on disposal of Investment properties	26.3	142,360	30,000	142,360	30,000
		161,650	56,726	161,650	56,726

26.3 Gain/(loss) on disposal of Investment properties

	Cost	Sales proceeds	Amount receivable on sales	Gain/(loss) on sale of Investment properties
Mutual Tulip Estate	(319,357)	90,380	131,784	(97,193)
Mutual Alpha Court duplex, Costain, Lagos	(236,412)	186,245	-	(50,167)
Property at Onireke, Ibadan	(85,000)	90,000	-	5,000
	(640,769)	366,625	131,784	(142,360)

26.4 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.

i *Mutual Tulip Estate*

Landed property of 11.40 hectares (28.5 acres) with industrial development potential lying, situate 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 (11.4 acres) and 4.37 hectares (10.92 acres) of this land were sold as part of the disposal of investment properties in 2018 and 2021 respectively. The remaining 2.47 hectares (6.18 acres) was revalued to ₦180 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2021. The subsisting title to the subject property is 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 2021. The subsisting title to the subject property is a 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 2021. The subsisting title to the subject property is a Deed of Assignment in favour of Mutual Benefits Life Assurance Limited.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

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

- 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 2021. The subsisting title to the subject property is a 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 Arigbade & Co. Estate Surveyors and Valuers. The subsisting title to the subject property is a Deed of Assignment between Mutual Benefits Home and Properties Limited and Mutual Benefits Life Assurance Limited. The property was valued at ₦200million by Messrs Arigbade & Co. Estate Surveyors and Valuers as at 31 December 2021.
- 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 Arigbade & Co. Estate Surveyors and Valuers as at 31 December 2021. The subsisting title to the subject property is a deed of assignment in favour of the Company.
- vii *Mutual Alpha Court duplex, Costain, Lagos*
This represents 43 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 2021, 43 units were revalued at ₦3,400,000,000 by Messr 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.
- viii *Property at Onireke, Ibadan*
The property occupying 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. Portions of the property representing 3361.353 square meters and 946.826 square metres of the land were sold in 2020 and 2021 respectively. The remaining portion of (2500 square meters) consisting of Land and building was revalued to ₦325 million by Messrs Alabi, Ojo and Makinde Consulting as at 31 December 2021. 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 2021. 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 and building located at Apapa Road, Ebute-Metta, Lagos State, Nigeria was transferred at a value of ₦180million. Deed of Assignment in favour of the Company is awaiting registration. Approximately 62.2 square meters of the land will be affected by the Lagos Rail Mass Transit Red line Project. The unaffected portion of the property (land and building) was valued at ₦100million by Messr Alabi, Ojo and Makinde Consulting, Estate Surveyors and Valuers as at 31 December 2021. The subsisting title to the subject is vested in a Land Certificate registered at the Land Registry Office in Lagos State.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 Investments in subsidiaries

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

<i>In thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2021	31 Dec-2020
Mutual Benefits-Homes and Properties Ltd	20,000	20,000
Mutual Benefits-Micro Finance Bank Ltd	320,000	320,000
Mutual Benefits-Liberia Limited	464,000	464,000
Mutual Benefits-Niger Republic	301,400	301,400
	1,105,400	1,105,400
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)
	1,016,981	1,016,981

Movement in investment in subsidiaries

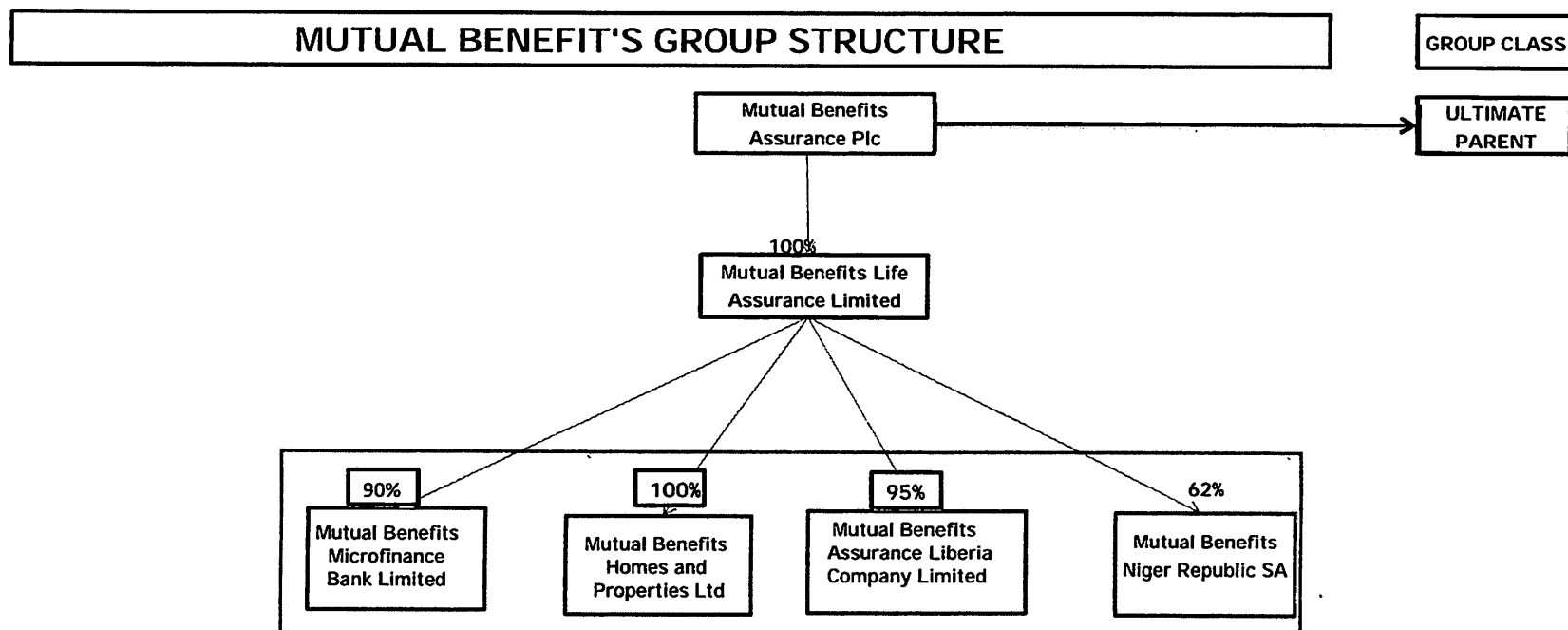
<i>In thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2021	31 Dec-2020
At 1 January	1,105,400	985,400
Additional equity investment	-	120,000
	1,105,400	1,105,400

The additional investment in 2020 was in respect of the allotted 120 million units of ordinary shares of N1 each in Mutual Benefits Microfinance Bank Limited Issued at N1 per share. The N120 million deposit for these shares was made in 2019.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

27 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	90%	10%	45	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%	45	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

27 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. During the year 2020, Mutual Benefits Assurance Plc and its subsidiary- Mutual Benefits Life Assurance Limited increased total shareholding to 89.89% through the acquisition of additional 240 million unit of shares in the Bank.

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 Benefits Assurance Plc.

4 Mutual Benefits Niger Republic

Mutual Benefits Niger S.A commenced operations on 2 January 2014. It is into underwriting of non-life and health/medical insurance 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

28 Intangible assets

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Computer software acquired				
Cost:				
Balance at the beginning of the year	214,980	168,099	30,539	30,539
Additions	332,223	11,090	110,422	-
Foreign exchange difference	9,673	35,791	-	-
	556,876	214,980	140,961	30,539
Accumulated Amortisation:				
Balance at the beginning of the year	180,833	141,966	30,539	30,517
Amortisation charge 14	110,663	2,187	13	22
Foreign exchange difference	9,579	36,680	-	-
	301,075	180,833	30,552	30,539
Carrying value	255,801	34,147	110,409	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

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

29 Property, plant and equipment (Group)

<i>in thousands of Nigerian Naira</i>	Leasehold building	Land	Plant and machinery	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
As at 1 January 2020	1,190,520	292,601	249,396	460,237	61,846	112,699	436,705	2,804,006
Additions	15,978	-	192	25,202	3,107	1,631	69,612	115,722
Disposal	-	-	(12,899)	(8,694)	(4,885)	(5,507)	(5,418)	(37,403)
Foreign exchange difference	8,443	121,946	(126,704)	14,630	39,271	(39,143)	78,457	96,900
As at 1 January 2021	1,214,941	414,547	109,985	491,375	99,339	69,680	579,356	2,979,225
Additions	8,173	-	1,808	2,937	1,901	1,552	121,467	137,837
Disposal	-	-	(8,271)	(9,050)	(1,494)	(5,967)	(3,716)	(28,498)
Foreign exchange difference	141,670	-	2,262	25,487	9,766	-	14,429	193,614
31 December 2021	1,364,784	414,547	105,784	510,749	109,512	65,265	711,536	3,282,178
Accumulated depreciation:								
As at 1 January 2020	693,937	-	205,884	396,612	60,147	72,439	346,823	1,775,841
Charge for the year	37,196	-	4,824	42,208	11,955	9,614	5,899	111,696
Disposal	-	-	(10,329)	(8,694)	(4,296)	(5,468)	(5,285)	(34,071)
Foreign exchange difference	14,420	-	(118,735)	25,377	4,790	(21,844)	19,510	(76,482)
As at 1 January 2021	745,553	-	81,644	455,503	72,596	54,741	366,947	1,776,984
Charge for the year	13,505	-	630	34,943	14,333	2,609	72,987	139,007
Disposal	-	-	(8,102)	(9,050)	(1,316)	(5,967)	(3,789)	(28,223)
Foreign exchange difference	9,281	-	2,262	21,835	6,472	-	8,375	48,225
31 December 2021	768,339	-	76,434	503,231	92,085	51,383	444,520	1,935,993
Carrying amounts at:								
31 December 2021	596,445	414,547	29,350	7,518	17,427	13,882	267,015	1,346,184
31 December 2020	469,388	414,547	28,342	35,873	26,744	14,939	212,409	1,202,241

No leased assets are included in the above property, plant and equipment and the Group had no capital commitments as at 31 December 2021. 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

29 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 2020	610,621	48,860	287,350	370,580	1,317,411
Additions	-	192	24,600	12,954	37,746
Disposal	-	(3,773)	(433)	(1,462)	(5,668)
1 January 2021	610,621	45,279	311,517	382,072	1,349,489
Additions	-	285	-	77,400	77,685
Disposal	-	(3,207)	(5,750)	(2,136)	(11,093)
31 December 2021	610,621	42,357	305,767	457,336	1,416,081
Accumulated depreciation:					
1 January 2020	606,364	41,469	233,058	309,055	1,189,946
Charge for the year	4,257	4,199	33,803	28,867	71,126
Disposal	-	(1,211)	(433)	(1,330)	(2,974)
1 January 2021	610,621	44,457	266,428	336,592	1,258,098
Charge for the year	-	381	23,608	30,444	54,433
Disposal	-	(3,207)	(5,750)	(2,136)	(11,093)
31 December 2021	610,621	41,631	284,286	364,900	1,301,438
Carrying amounts at:					
31 December 2021	-	726	21,481	92,436	114,643
31 December 2020	-	822	45,089	45,480	91,391

No leased assets are included in the above property, plant and equipment, the Company had no capital commitments as at 31 December 2021. None of the assets have been pledged as collateral.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

30 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 3% per annum (2020: 13.05%) on statutory deposits are included in investment income (Note 9).

The deposit has been tested for adequacy as at 31 December 2021 and found to be adequate.

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Statutory deposit		200,000	200,000	200,000	200,000
		200,000	200,000	200,000	200,000

31 Deposit for investment in equity shares

Deposit for shares in Mutual Benefits Microfinance Bank	-	-	100,000	100,000
	-	-	100,000	100,000

31.1 The movement in deposit for investment in equity shares is as follows:

Deposit for shares in Mutual benefits Microfinance Bank as at 1 January	-	-	100,000	120,000
Additions during the year	-	-	-	100,000
Allotment of shares	-	-	-	(120,000)
	-	-	100,000	100,000

32 Insurance contract liabilities

Outstanding claims	32.2	9,585,970	7,989,362	8,354,655	7,042,325
Unearned premiums	32.3	3,920,517	2,154,319	3,367,534	1,829,631
	32.1	13,506,487	10,143,681	11,722,189	8,871,956
Current		9,260,872	7,377,597	7,476,574	6,105,872
Non-current		4,245,615	2,766,084	4,245,615	2,766,084
		13,506,487	10,143,681	11,722,189	8,871,956

The Group engaged Zamara Consulting Actuaries Nigeria Limited (FRC/2017/NAS/00000016912) to perform an Insurance liability valuation as at 31 December 2021 for its Insurance and Investment contract businesses. The Insurance liability valuation report was signed by Nikhil Dodhia (FRC/2021/004/00000024023).

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

32.1 Analysis of Net Insurance contract liabilities

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Gross Insurance contract liabilities		13,506,487	10,143,681	11,722,189	8,871,956
Reinsurance assets	22	(2,270,147)	(2,426,613)	(1,586,918)	(1,862,233)
Net Insurance contract liabilities		11,236,340	7,717,068	10,135,271	7,009,723

32.2 Outstanding claims

Group life	32.2.1	6,148,310	5,690,757	6,046,508	5,631,260
Individual life	32.2.2	1,933,254	1,082,368	1,933,254	1,082,368
Annuity	32.2.3	374,893	328,697	374,893	328,697
Non-life	32.2.4	1,129,513	887,540	-	-
		9,585,970	7,989,362	8,354,655	7,042,325

32.2.1 Group life

<i>Outstanding claims</i>					
Claims reported by policyholders		4,210,844	4,335,738	4,109,041	4,276,241
Claims incurred but not reported (IBNR)		1,937,468	1,355,019	1,937,468	1,355,019
		6,148,310	5,690,757	6,046,508	5,631,260

i Movement in Group life outstanding claims

At 1 January		5,690,757	5,071,640	5,631,260	4,985,105
Claims incurred in the current year		5,177,716	4,342,174	4,833,425	4,334,397
Claims paid during the year		(4,720,163)	(3,723,057)	(4,418,177)	(3,688,242)
At 31 December		6,148,310	5,690,757	6,046,508	5,631,260

ii The aging analysis of Group life outstanding claims

0 - 90		707,332	730,452	605,529	670,955
91 - 180		350,102	221,620	350,102	221,620
181 - 270		78,267	111,198	78,267	111,198
271 - 360		114,733	107,170	114,733	107,170
361 and above		2,960,410	3,165,298	2,960,410	3,165,298
		4,210,844	4,335,738	4,109,041	4,276,241

Outstanding claims above 90 days are those that are awaiting relevant documentation to facilitate settlement. Sufficient funds have been set aside to meet these obligations.

iii Reason analysis for Company's group life reported outstanding claims as at 31 December 2021

<i>In thousands of Nigerian Naira</i>	0-90 days	91-180 days	181-360days	361 days +	Total
Issued discharge voucher	-	-	-	-	-
Awaiting lead Insurers instruction	33,800	35,751	42,744	584,409	696,704
Incomplete documentation	485,014	314,351	150,256	2,325,527	3,275,148
Ongoing investigation	-	-	-	50,474	50,474
Under processing for payment	86,715	-	-	-	86,715
	605,529	350,102	193,000	2,960,410	4,109,041

iv Reason analysis for Company's group life reported outstanding claims as at 31 December 2020

<i>In thousands of Nigerian Naira</i>	0-90 days	91-180 days	181-360days	361 days +	Total
Issued discharge voucher	5,800	-	-	-	5,800
Awaiting lead insurers instruction	114,161	45,095	54,184	267,187	480,627
Incomplete documentation	344,813	176,525	164,184	2,847,637	3,533,159
Ongoing investigation	-	-	-	50,474	50,474
Under processing for payment	206,182	-	-	-	206,182
	670,955	221,620	218,368	3,165,298	4,276,241

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

32.2 Outstanding claims - Continued

v No. of claimants for the Company's group life reported outstanding claims as at 31 December 2021

<i>in thousands of Nigerian Naira</i>	0-90 days	91-180 days	181-360days	361 days +	Total
Issued discharge voucher	-	-	-	-	-
Awaiting lead insurers instruction	32	43	51	1,548	1,674
Incomplete documentation	171	102	79	1,071	1,423
Ongoing investigation	-	-	-	8	8
Under processing for payment	34	-	-	-	34
	237	145	130	2,627	3,139

vi No. of claimants for the Company's group life reported outstanding claims as at 31 December 2020

<i>in thousands of Nigerian Naira</i>	0-90 days	91-180 days	181-360days	361 days +	Total
Issued discharge voucher	5	-	-	-	5
Awaiting lead insurers instruction	219	20	160	527	926
Incomplete documentation	146	69	114	1,112	1,441
Ongoing investigation	-	-	-	8	8
Under processing for payment	64	-	-	-	64
	434	89	274	1,647	2,444

32.2.2 Individual life

		GROUP		COMPANY	
<i>In thousands of Nigerian Naira</i>	Notes	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
i Outstanding claims					
Claims incurred but not reported (IBNR)		1,933,254	1,082,368	1,933,254	1,082,368
		1,933,254	1,082,368	1,933,254	1,082,368
ii Movement in individual life outstanding claims					
At 1 January		1,082,368	889,976	1,082,368	889,976
Premiums written in the year		3,052,022	2,529,993	3,018,125	2,517,408
Premiums earned during the year		(3,052,022)	(2,530,543)	(3,018,125)	(2,517,958)
Claims provision in the current year		730,615	220,131	722,862	213,659
Claims paid during the year		(730,614)	(220,131)	(722,861)	(213,659)
Changes in actuarial valuation		850,885	192,942	850,885	192,942
At 31 December		1,933,254	1,082,368	1,933,254	1,082,368
iii The aging analysis of individual life outstanding claims					
0 - 90		-	-	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging - IBNR		1,933,254	1,082,368	1,933,254	1,082,368
		1,933,254	1,082,368	1,933,254	1,082,368

32.2.3 Annuity

i Movement in annuity

At 1 January	328,697	324,700	328,697	324,700
Claims incurred in the current year	42,374	44,226	42,374	44,226
Claims paid during the year	(42,374)	(44,226)	(42,374)	(44,226)
Changes in actuarial valuation	46,196	3,997	46,196	3,997
At 31 December	374,893	328,697	374,893	328,697

ii The aging analysis of annuity

0 - 90	-	-	-	-
91 - 180	-	-	-	-
181 - 270	-	-	-	-
271 - 360	-	-	-	-
361 and above	-	-	-	-
No aging	374,893	328,697	374,893	328,697
	374,893	328,697	374,893	328,697

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

32.2 Outstanding claims - Continued

32.2.4 Non-life

Movement in Non-life outstanding claims

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
At 1 January		887,540	378,388	-	-
Claims incurred in the current year		1,168,243	829,839	-	-
Claims paid during the year		(926,270)	(320,687)	-	-
At 31 December		1,129,513	887,540	-	-

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

0 - 90		1,129,513	887,540	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
		1,129,513	887,540	-	-

32.3 Unearned premiums

Group life		3,564,926	2,017,596	3,367,534	1,829,631
Non-life		355,591	136,723	-	-
		3,920,517	2,154,319	3,367,534	1,829,631

i *The movement in unearned premium*

At 1 January		2,154,319	2,407,593	1,829,631	1,921,970
Premiums written in the year	4.1	15,504,971	10,776,337	11,617,005	8,433,063
Premiums earned during the year	4.2	(13,738,773)	(11,029,611)	(10,079,102)	(8,525,403)
At 31 December		3,920,517	2,154,319	3,367,534	1,829,631

33 Investment contract liabilities

Group deposit administration		843,195	583,211	843,195	583,211
Individual deposit administration		29,335,421	27,864,056	29,335,421	27,864,056
		30,178,616	28,447,267	30,178,616	28,447,267
Current		13,034,563	11,094,434	13,034,563	11,094,434
Non-current		17,144,053	17,352,833	17,144,053	17,352,833
		30,178,616	28,447,267	30,178,616	28,447,267

The movement in deposit administration funds

Balance at the beginning of the year		28,447,267	26,266,129	28,447,267	26,263,838
Deposits received during the year		14,266,728	12,323,764	14,266,728	12,323,764
Guaranteed interest		1,428,000	2,146,434	1,428,000	2,146,434
Withdrawals during the year		(13,963,379)	(12,289,060)	(13,963,379)	(12,286,769)
Balance at the end of the year		30,178,616	28,447,267	30,178,616	28,447,267

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

34 Trade payables

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Reinsurance payables	34.1	610,922	567,051	105,261	160,702
Co-Insurance payables	34.2	24,651	25,020	24,651	25,020
Deferred commission		12,120	10,648	12,120	10,649
Commission payable		104,898	59,826	62,713	54,676
Deposits for premium	34.3	691,163	707,858	691,163	707,858
		<u>1,443,754</u>	<u>1,370,403</u>	<u>895,908</u>	<u>958,905</u>
Current		1,443,754	1,370,403	895,908	958,905
Non-current					
		<u>1,443,754</u>	<u>1,370,403</u>	<u>895,908</u>	<u>958,905</u>

34.1 The movement in reinsurance payables

Balance at the beginning of the year		567,051	255,416	160,702	29,407
Addition during the year	21.3	959,118	1,070,476	698,958	930,489
Payments during the year		(915,247)	(758,841)	(754,399)	(799,194)
Balance at the end of the year		<u>610,922</u>	<u>567,051</u>	<u>105,261</u>	<u>160,702</u>

34.2 The movement in co-insurance payables

Balance, beginning of the year		25,020	19,906	25,020	19,906
Addition during the year		187,000	1,000,483	187,000	1,000,483
Payments during the year		(187,369)	(995,369)	(187,369)	(995,369)
		<u>24,651</u>	<u>25,020</u>	<u>24,651</u>	<u>25,020</u>

34.3 The movement in deposit for premium

Balance at the beginning of the year		707,858	820,372	707,858	820,372
Addition during the year		673,742	643,004	673,742	643,004
Reclassified as investment contract liabilities during the year		(690,437)	(755,518)	(690,437)	(755,518)
Balance at the end of the year		<u>691,163</u>	<u>707,858</u>	<u>691,163</u>	<u>707,858</u>

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

35 Other liabilities

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Accruals	35.1	503,742	327,684	423,776	172,916
Rent received in advance		58,027	29,492	58,027	29,492
Land deduction		138	138	138	138
National Insurance Commission levy		258,837	316,672	258,837	316,672
PAYE		3,066	656	2,857	289
VAT payable		125,311	316,713	4,554	168,665
WHT payable		11,934	6,882	4,096	-
Staff pension		13,835	4,060	4,571	-
Real estate development creditors		-	230,138	-	-
ATM working capital		16,718	23,910	-	-
Amount due to Directors		10,902	949	949	949
National Housing Fund		17	14	17	14
Cooperative deductions		759	759	759	759
Sundry creditors	35.2	141,382	173,481	116,989	141,560
Deposit for facility management		2,438	42,280	2,436	42,280
Deposit for shares		220,000	142,000	-	-
Deposit for properties by customers		126,082	317	126,082	317
		1,493,187	1,616,144	1,004,088	874,051
Current		1,493,187	1,616,144	1,004,088	874,051
Non-current		-	-	-	-
		1,493,187	1,616,144	1,004,088	874,051

35.1 Analysis of accruals

Audit fee and expenses	18,275	18,290	18,275	18,290
Tax consultancy fees	63,000	52,130	23,000	31,400
NSITF payable	22,818	22,818	22,818	22,818
Actuarial valuation fee	3,586	4,000	3,586	4,000
Property valuation fee	8,500	8,500	8,500	8,500
Application Service maintenance	6,750	4,961	6,750	4,961
Utilities	49,551	19,437	36,101	9,437
Agency allowances	21,376	20,486	21,376	20,486
Retail training & consultancy fees	66,632	59,864	66,632	23,894
Legal fee	52,250	19,250	52,250	19,250
Marketing expenses	40,150	15,500	40,150	-
Social security payable	24,200	14,239	-	-
Accrued incentive pay	52,650	15,540	52,650	-
Other accruals	74,004	52,669	71,688	9,880
	503,742	327,684	423,776	172,916

35.2 Analysis of sundry creditors

Cheques for reissue	15,320	123,356	15,320	123,356
Deferred income	52,428	-	52,428	-
Rent collected on behalf of third parties	15,000	3,000	15,000	3,000
Payable for goods & services	141,382	47,125	34,241	15,204
Balance at the end of the year	224,130	173,481	116,989	141,560

36 Deposit liabilities

Current	165,908	113,728	-	-
Time	1,079,673	119,922	-	-
Savings	81,884	67,968	-	-
	1,327,465	301,618	-	-
Current	1,327,465	301,618	-	-
Non-current	-	-	-	-
	1,327,465	301,618	-	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

37 Current income tax payable

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance, beginning of year		287,717	251,196	167,428	168,891
Current year charge:					
Company income tax		184,968	190,599	-	-
Education tax		-	-	-	-
Information technology tax		-	31,379	-	31,379
Minimum tax		9,934	7,115	9,934	7,115
Prior year over provision		46,169	-	(100,226)	-
	17.1	241,072	229,092	(90,291)	38,494
Payments during the year		(272,126)	(192,571)	(47,128)	(39,957)
Balance at the end of the year		256,663	287,717	30,009	167,428

38 Deferred tax

Deferred income tax asset	38.1	392,638	520,523	341,980	469,865
Deferred tax liabilities	38.2	(746,044)	(869,011)	-	-
Net deferred tax (liabilities)/assets		(353,406)	(348,488)	341,980	469,865

38.1 Movement in Deferred tax assets

Balance at the beginning of the year		520,523	235,099	469,865	184,442
(Charge)/Credit in profit or loss for the year		(127,885)	285,424	(127,885)	285,423
Tax charge /(reversals) relating to components of other comprehensive income		-	-	-	-
Balance at the end of the year		392,638	520,523	341,980	469,865

Deferred tax assets is attributable to the following:

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Expected credit losses - impairment		392,493	491,897	341,835	441,239
Property, Plant and equipment		145	28,626	145	28,626
Balance, end of year		392,638	520,523	341,980	469,865

38.2 Movement in Deferred tax liabilities

Balance at the beginning of the year		869,011	336,035	-	-
Credit in profit or loss for the year		(176,174)	(30,324)	-	-
Tax charge /(reversals) relating to components of other comprehensive income		53,207	563,300	-	-
Balance at the end of the year		746,044	869,011	-	-

Deferred tax liability is attributable to the following:

Property, plant and equipment		(107,117)	(3,152)	-	-
Foreign currency translation reserve		670,513	617,306	-	-
Investment properties		182,648	254,857	-	-
		746,044	869,011	-	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

38 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 of the uncertainty in the availability of future taxable profit against which the life business can use the benefits therefrom.

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Property and equipment		418,404	351,600	418,404	351,600
Tax losses		6,911,431	5,761,719	6,911,431	5,761,719
Balance, end of year		7,329,835	6,113,319	7,329,835	6,113,319

39 Share capital

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Share capital comprises:					
Authorized number of shares:					
8,002,500,000 (2020: 8002,500,000)					
Ordinary shares of ₦1.00 each		8,002,500	8,002,500	8,002,500	8,002,500
Issued and fully paid number of shares:					
8,002,500,000 (2020:8,002,500,000)					
Ordinary shares of ₦1.00 each					
Balance at the beginning of the year		8,002,500	330,000	8,002,500	330,000
Issued during the year		-	7,672,500	-	7,672,500
Balance at the end of the year		8,002,500	8,002,500	8,002,500	8,002,500

The issued and fully paid ordinary shares were increased to 8,002,500,000 from the allotment of bonus shares on the 15 October 2020 from the Share premium and retained earnings at the rate of 93 new ordinary shares for every 4 old shares held by the shareholders of the Company.

39.3 Share premium

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance at the beginning of the year		116,555	5,670,000	116,555	5,670,000
Issue of cash share capital		-	-	-	-
Issue of bonus share capital		(116,555)	(5,553,445)	(116,555)	(5,553,445)
Balance at the end of the year		-	116,555	-	116,555

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution. In 2020, the Company issued and allotted 7,672,500,000 ordinary shares of ₦1.00 each as Bonus issue from the share premium and retained earnings at the rate of 93 new ordinary shares for every 4 old shares held by the shareholders of the Company.

40 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

41 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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Balance, beginning of the year	1,054,010	715,528	1,054,010	715,529
Transfer from retained earnings	116,171	338,482	116,171	338,481
Balance, end of year	1,170,181	1,054,010	1,170,181	1,054,010

42 Revaluation reserve

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

43 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.

44 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.

45 Non-controlling interests in equity

<i>In thousands of Nigerian Naira</i>	Notes	31 Dec-2021	31 Dec-2020
Opening balance		1,333,778	1,100,847
Share from total comprehensive income		132,183	232,931
Balance as at year end		1,465,961	1,333,778

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

47 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:

Notes	GROUP		COMPANY	
	31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
	Number	Number	Number	Number
₦220,001 - ₦720,000	43	41	1	1
₦720,001 - ₦1,400,000	21	40	9	15
₦1,400,001 - ₦2,050,000	33	44	22	38
₦2,050,001 - ₦2,330,000	17	4	16	3
₦2,330,001 - ₦2,840,000	14	14	10	12
₦2,840,001 - ₦3,000,000	3	3	1	3
₦3,000,001 - ₦4,500,000	16	11	16	11
₦4,500,001 - ₦5,950,000	12	9	7	8
₦5,950,001 - ₦6,800,000	1	-	-	-
₦6,800,001 - ₦7,800,000	3	4	3	3
₦7,800,001 - ₦8,600,000	3	5	3	5
₦8,600,001 - ₦11,800,000	8	9	6	8
Above ₦11,800,000	12	7	10	5
Balance, end of year	186	191	104	112

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

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
		Number	Number	Number	Number
Executive Directors		7	9	1	1
Management staff		55	61	42	39
Non management staff		131	130	62	73
		193	200	105	113

ii Directors' remuneration:

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

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Executive compensation		118,431	151,017	55,757	55,757
Other directors expenses		32,989	26,062	7,500	7,500
		151,420	177,079	63,257	63,257

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

47 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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Chairman		2,000	2,000	2,000	2,000
Highest paid director		55,757	55,757	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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
N500,000- N1,500,000		9	7	3	2
Above N2,000,000		4	4	-	-
		13	11	3	2

48 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 year end, and related expense and income for the year are as follows:

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Key management compensation					
Salaries and other short-term benefits		118,431	151,017	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
		158,881	191,467	96,207	96,207

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

48 Related parties - Continued

Transactions with key management personnel

In thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
Loans and advances to Directors					
Balance at 1 January		-	1,455	-	1,455
Granted during the year		-	-	-	-
Interest during the year		-	2,749	-	2,749
Repayments		-	(4,204)	-	(4,204)
Impact of foreign exchange rate changes		-	-	-	-
At 31 December		-	-	-	-
Interest earned					
		-	2,749	-	2,749

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 (2020:Nil).

	2021	2020
<i>Loans and advances to subsidiary</i>	N'000	N'000
Mutual Homes and Properties Limited	200,140	200,140

	COMPANY	
<i>In thousands of Nigerian Naira</i>	31 Dec-2021	31 Dec-2020
Granted during the year		-
Repayment	-	(21,200)
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			COMPANY	
<i>In thousands of Nigerian Naira</i>	Nature of relationship	Type of transaction	31 Dec-2021	31 Dec-2020
Receivables				
Mutual Benefits Homes & Properties Limited	Subsidiary	Loans	200,140	200,140
Mutual Benefits Microfinance Bank Limited	Subsidiary	Current Account	221,075	28,446
Mutual Benefits Microfinance Bank Limited	Subsidiary	Fixed deposit	616,375	15,115
Prime Exploration and Production Limited	Directors	Loans	12,484,684	12,073,638
Mutual Benefits Assurance Plc	Parent	Intercompany	613,595	178,944
Interest income				
Prime Exploration and Production Limited	Directors	Interest on loan	1,811,046	2,002,657

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

49 Contingent liabilities

Litigation and claims

The Company is presently involved in three litigations with estimated claims of ₦22,293,363 (2020: ₦22,183,424). The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate.

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.

50 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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (STATEMENT OF VALUE ADDED)

For the year ended 31 December
in thousands of Nigerian Naira

	GROUP				COMPANY			
	2021	%	2020	%	2021	%	2020	%
Gross premium written	15,504,971		10,776,337		11,617,005		8,433,063	
Net benefits and claims	(6,148,124)		(4,439,562)		(4,751,142)		(3,577,780)	
Premiums ceded to reinsurers	(963,784)		(1,087,332)		(703,624)		(947,345)	
Other local charges	(10,691,501)		(1,441,038)		(9,058,603)		(401,048)	
Fees and commission income	83,546		201,658		68,683		179,529	
	(2,214,892)		4,010,063		(2,827,681)		3,686,419	
Investment income	397,679		416,303		397,679		416,303	
Value added	(1,817,213)	100	4,426,366	100	(2,430,002)	100	4,102,722	100
Applied to pay:								
Employee benefits	1,001,709	(55)	928,188	21	626,654	(26)	626,356	15
Government as tax	241,072	(13)	229,092	5	(90,291)	4	38,494	1
Retained in the business:								
Contingency reserve	116,171	(6)	338,481	8	116,171	(5)	338,481	8
Deferred tax	(48,289)	3	(315,748)	(7)	127,885	(5)	(285,423)	(7)
(Loss)/profit for the year	(3,127,875)	172	3,268,960	74	(3,210,421)	132	3,384,814	83
Non-controlling interests	-	-	(22,607)	(1)				
Value added	(1,817,213)	100	4,426,366	100	(2,430,002)	100	4,102,722	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-2021	31 Dec-2020	31 Dec-2019	31 Dec-2018	31 Dec-2017
ASSETS					
Cash and cash equivalents	11,445,310	6,797,464	4,674,079	3,030,386	5,096,361
Financial assets:					
Available-for-sale investment securities	-	-	-	-	827,972
Equity instruments at fair value through OCI	380,829	80,633	288,125	676,806	-
Loans and receivables	-	-	10,904,152	11,552,741	11,612,559
Held-to-maturity	-	-	-	-	12,382,363
Financial assets at amortised cost	36,515,234	23,797,398	-	-	-
Financial assets at Fair value through P/L	1,740,043	16,019,591	4,291,374	487,230	-
Trade receivables	368,026	166,479	247,231	526,076	351,121
Reinsurance assets	2,110,147	2,266,613	2,490,864	2,067,212	1,368,904
Other receivables and prepayments	1,205,131	639,101	985,258	1,092,621	588,007
Finance lease receivables	1	-	-	-	11,011
Deferred acquisition costs	294,950	155,557	171,230	104,388	173,101
Inventories	44,299	169,799	436,156	518,236	907,822
Assets held for sale	-	-	-	5,550,000	-
Investment properties	6,035,000	6,665,000	6,875,000	1,420,000	8,510,000
Intangible assets	255,801	34,147	26,133	38,626	28,608
Property, plant and equipment	1,346,184	1,202,241	1,028,165	1,212,999	997,330
Deposit for investment in equity shares	-	-	-	-	70,000
Deferred tax assets	392,638	520,523	235,099	120,422	-
Goodwill	-	-	-	1,543	1,543
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Total assets	62,333,593	58,714,547	32,852,866	28,599,286	43,126,702
LIABILITIES					
Insurance contract liabilities	13,506,488	10,143,681	9,072,297	7,917,919	5,946,484
Investment contract liabilities	30,178,616	28,447,267	26,266,129	25,276,261	26,564,221
Trade payables	1,443,754	1,370,403	1,187,614	913,130	1,830,023
Other liabilities	1,493,187	1,616,144	1,192,255	738,641	1,081,038
Deposit for shares	-	-	-	-	-
Deposit liabilities	1,327,465	301,618	389,640	512,153	259,268
Current income tax liabilities	256,663	287,717	251,196	313,614	265,169
Deferred tax liabilities	746,044	869,011	336,035	451,233	357,264
Total liabilities	48,952,217	43,035,841	38,695,166	36,122,951	36,303,467

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-2021	31 Dec-2020	31 Dec-2019	31 Dec-2018	31 Dec-2017
EQUITY					
Share capital	8,002,500	8,002,500	330,000	250,000	250,000
Share premium	-	-	5,670,000	3,750,000	3,750,000
Foreign currency translation reserve	1,559,768	1,161,602	938,821	1,116,284	911,064
Contingency reserve	1,170,181	1,054,010	715,528	465,798	403,280
Revaluation reserve	180,736	180,736	180,736	180,736	128,008
Fair value reserve	(444,843)	(745,039)	(537,547)	(148,866)	-
Retained earnings	1,447,073	4,691,119	3,879,697	1,572,990	1,191,536
Shareholders' funds	11,915,415	14,344,929	11,177,236	7,186,942	6,633,888
Owners of the parent	11,915,415	14,344,928	11,177,236	7,186,942	6,633,888
Non-controlling interests in equity	1,465,961	1,333,778	1,100,847	174,699	189,347
Total equity	13,381,376	15,678,706	12,278,083	7,361,641	6,823,235
Total liabilities and equity	62,333,593	58,714,547	50,973,249	43,484,592	43,126,702
Group- Statement of profit or loss					
For the year ended					
Gross premium written	15,504,971	10,776,337	10,331,198	7,822,397	6,738,905
Premium earned	13,738,773	11,029,611	9,583,495	7,957,140	6,366,687
(Loss)/profit before income tax	(2,784,431)	3,159,697	2,462,082	744,440	486,006
Income tax (expense)/credit	(192,782)	86,656	63,853	(75,357)	(68,769)
(Loss)/profit after income tax	(2,977,213)	3,246,353	2,525,935	669,083	417,237
Transfer to contingency reserve	(116,171)	(338,481)	(249,731)	(62,518)	(49,635)
(Loss)/earnings per share- Basic (kobo)	(39)	41	32	259	18

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

45.1 Non-controlling interests in equity

In thousands of Nigerian Naira	Notes	Mutual Benefits Microfinance Bank Ltd		Mutual Benefits Niger SA	
		GROUP		GROUP	
		31 Dec-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
NCI percentage		10%	10%	38%	38%
Cash and cash equivalents		275,428	388,745	3,745,556	3,052,381
Loans and receivables		-	-	-	-
Other receivables		56,626	8,453	75,136	35,929
Intangible assets		26,520	12,827	118,871	21,320
Reinsurance assets		-	-	686,088	566,940
Trade receivables		-	-	288,590	133,491
Property, plant and equipments		5,722	10,113	760,391	707,787
Insurance contract liabilities		-	-	(1,481,569)	(1,008,208)
Trade payables		-	-	(531,226)	(405,958)
Other liabilities		(60,911)	(150,766)	(266,112)	(298,801)
Deposit liabilities		(1,327,465)	(301,618)	-	-
Current income tax liabilities		(14,990)	(14,722)	-	-
Deferred tax liabilities		100,328	(3,636)	-	-
Net (liabilities)/assets		(938,742)	(50,603)	3,395,725	2,804,881
Carrying amount of NCI		(93,874)	(5,060)	1,274,415	1,052,672
Underwriting profit		-	-	1,258,659	473,397
Income		203,226	45,413	83,054	98,011
Expenses		(395,206)	(196,211)	(776,694)	(453,704)
(Loss)/profit before tax		(191,980)	(150,799)	565,020	117,704
Profit/(loss) after tax		103,456	(151,244)	446,437	(29,323)
Profit/(loss) allocated to NCI		20,691	(30,249)	167,548	(11,005)
Cash flows from operating activities		(175,425)	(161,616)	2,305,859	1,310,906
Cash flows from investing activities		(68,892)	5,781	(67,362)	(85,503)
Cash flows from financing activities		78,000	122,000	-	-
Net (decrease)/increase in cash and cash equivalents		(166,317)	(33,835)	2,238,497	1,225,402

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

46 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-2021	31 Dec-2020	31 Dec-2021	31 Dec-2020
(Loss)/profit before income tax		(2,784,431)	3,159,697	(3,172,827)	3,137,885
<i>Adjustments for non-cash items:</i>					
Income earned on Investment contracts funds	8.1	(3,207,573)	(3,624,605)	(3,207,573)	(3,624,605)
Investment income	9	(755,439)	(1,464,133)	(518,249)	(1,283,257)
Bad debt written off	14	168,727	2,110	-	-
Impairment reversal/(loss) on financial assets	12	(231,462)	835,511	(310,124)	896,583
Amortisation of deferred acquisition costs	24	1,257,951	1,230,144	744,741	637,686
Depreciation of property, plant and equipment (PPE)	29	139,007	111,696	54,433	71,126
Amortisation of intangible assets	28	110,663	2,187	13	22
Finance income	16	(95,711)	(31,970)	-	-
Finance cost	15	31,469	10,263	-	-
Gain on disposal of PPE	11	(914)	(5,195)	(914)	(893)
Fair value gain on Financial assets at FVTPL	10	4,143,518	(2,235,343)	4,143,518	(2,235,343)
Foreign exchange gain on cash and cash equivalents	11	(16,822)	(62,372)	(16,822)	(61,138)
Fair value gain/(loss) on investment properties	26	(10,769)	70,000	(10,769)	70,000
Loss on disposal of investment property	26.2	142,360	30,000	142,360	30,000
Inventory written down	14	125,500	266,357	-	-
Cash flows used in operating activities before changes in operating assets and liabilities		(983,926)	(1,705,653)	(2,152,213)	(2,361,934)
<i>Changes in operating assets and liabilities</i>					
Trade receivables		(201,547)	80,752	(27,788)	-
Reinsurance assets		156,466	224,251	275,315	425,694
Other receivables and prepayments		(257,183)	780,968	(559,800)	(72,880)
Deferred acquisition costs		(1,397,344)	(1,214,471)	(884,134)	(622,013)
Finance lease receivables		-	-	2	-
Loans and receivables		-	-	-	-
Available for sale instruments		-	-	-	-
Provision for unearned premium		1,766,198	(253,274)	1,537,903	(92,339)
Inventories		-	-	-	-
Provision for outstanding claims		1,596,608	1,324,658	1,312,330	842,544
Investment contract liabilities		1,731,349	2,181,138	1,731,349	2,183,429
Trade payables		73,351	182,789	(62,997)	33,542
Other payables		(154,425)	413,620	130,037	218,976
Deposit liabilities		1,025,847	(88,022)	-	-
Income tax paid	37	(272,126)	(192,571)	(47,128)	(39,957)
Net cash flows from operating activities		3,083,269	1,734,185	1,252,876	515,062

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-2021	31 Dec-2020	31 Dec-2019	31 Dec-2018	31 Dec-2017
ASSETS					
Cash and cash equivalents	6,895,926	2,880,279	2,081,656	1,926,187	4,151,584
Financial assets:					
Available-for-sale investment securities	-	-	-	-	716,472
Equity instruments at fair value through OCI	313,393	39,117	216,059	604,740	-
Loans and receivables	-	-	10,042,114	10,378,981	10,854,661
Held-to-maturity	-	-	-	-	12,382,363
Debt instruments at amortised cost	34,546,552	22,745,277	-	-	-
Financial assets at Fair value through P/L	1,740,043	16,019,591	4,291,374	487,230	-
Trade receivables	27,788	-	-	248,097	-
Reinsurance assets	1,426,918	1,702,233	2,127,927	1,635,300	1,070,169
Other receivables and prepayments	893,113	397,346	751,979	672,714	449,538
Deferred acquisition costs	294,950	155,557	171,230	104,388	173,101
Finance lease receivables	-	-	-	-	11,011
Assets held for sale	-	-	-	5,550,000	-
Investment properties	6,035,000	6,665,000	6,875,000	1,420,000	8,510,000
Investments in subsidiaries	1,016,981	1,016,981	896,981	896,981	896,981
Intangible assets	110,409	-	22	787	1,751
Property, plant and equipment	114,643	91,391	127,465	218,059	364,573
Deposit for shares	100,000	100,000	120,000	-	70,000
Deferred tax assets	341,980	469,865	184,442	26,869	-
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Total assets	54,057,696	52,482,638	28,086,249	24,370,333	39,852,204
LIABILITIES					
Insurance contract liabilities	11,722,189	8,871,956	8,121,751	6,707,244	5,156,574
Investment contract liabilities	30,178,616	28,447,267	26,263,838	25,261,335	26,551,455
Trade payables	895,908	958,905	925,363	691,521	1,661,962
Other liabilities	1,004,088	874,051	655,075	384,271	643,659
Current income tax liabilities	30,009	167,428	168,891	248,167	201,538
Deferred tax liabilities	-	-	-	-	31,069
Total liabilities	43,830,810	39,319,607	36,134,918	33,292,538	34,246,257
EQUITY					
Share capital	8,002,500	8,002,500	330,000	250,000	250,000
Treasury shares	-	-	5,670,000	3,750,000	3,750,000
Contingency reserve	1,170,181	1,054,010	715,529	465,798	403,280
Fair value reserve	(403,079)	(677,355)	(500,413)	(111,732)	-
Retained earnings	1,457,284	4,783,876	3,856,598	1,609,035	1,202,667
Total equity	10,226,886	13,163,031	10,071,714	5,963,101	5,605,947
Total liabilities and equity	54,057,696	52,482,638	46,206,632	39,255,639	39,852,204

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-2021	31 Dec-2020	31 Dec-2019	31 Dec-2018	31 Dec-2017
Gross premium written	11,617,005	8,433,063	8,488,202	5,914,556	4,963,517
Premium earned	10,079,103	8,525,403	7,797,948	6,193,018	4,637,470
(Loss)/profit before income tax	(3,172,827)	3,137,885	2,379,678	706,093	346,807
Income tax expense	(37,594)	246,929	117,616	(80,917)	(31,950)
(Loss)/profit after income tax	(3,210,421)	3,384,814	2,497,294	625,176	314,857
Transfer to contingency reserve	(116,171)	(338,481)	(249,731)	(62,518)	(49,635)
(Loss)/earnings per share- Basic (kobo)	(40)	42	31	250	126