MUTUAL BENEFITS ASSURANCE PLC

Lagos, Nigeria

REPORT OF THE DIRECTORS

AND

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

MUTUAL BENEFITS ASSURANCE PLC

REPORT OF THE DIRECTORS

CONTENTS

MUTUAL BENEFITS ASSURANCE PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

Chairman	Dr. Akin Ogunbiyi	Chairman
Vice Chairman	Mr. Babatunde Dabiri	Vice Chairman
Directors	Mr. Olusegun Omosehin	Managing Director, Mutual Benefits Assurance Plc.
	Mr. Adebiyi Ashiru-Mobolaji	Executive Director Operation (appointed w.e.f 1.4.2017)
	Mr. Femi Asenuga	Managing Director, Mutual Benefits Life Assurance Limited.
	Mr. Adesoye Olatunji	Non-Executive Director
	Adm. Festus Porbeni (mni) CFR	Non-Executive Director
	Mr. Michael Govan	Non-Executive Director (American) (resigned w.e.f 31/07/17)
	Dr. Eze Ebube	Non-Executive Director (American)
	Prof. Patrick Utomi	Non-Executive Director
	Mr. Lamis Sheu Dikko	Non-Executive Director
	Mr. Akinboye Oyewumi	Non-Executive Director
	Ms. Kadaria Ahmed	Non-Executive Director

Registered Office
Aret Adams House
233 Ikorodu Road, Ilupeju, Lagos

Auditors
Ernst & Young
UBA House, 10th and 13th Floors
57 Marina, Lagos

Company Secretary
Abdulai Taiwo & Co
FRC/2013/NBA/0000004757
Goodwill House, 278 Ikorodu Road, Lagos

Bankers
Access Bank Plc
Fidelity Bank Plc
First City Monument Bank Limited
First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Keystone Bank Limited
Sterling Bank Plc
Zenith Bank Plc
Mutual Microfinance Bank Limited
Ecobank Nigeria Plc
Stanbic IBTC Bank Nigeria Plc
Unity Bank Plc
Wema Bank Plc
United Bank for Africa Plc
Heritage Bank Limited
Skye Bank Plc

Re-insurers
African Reinsurance Corporation
Aveni Reinsurance Ltd.
Continental Reinsurance Plc.
Nigerian Reinsurance Corporation

Actuaries
Zamara Consulting Actuaries Nigeria Limited
FRC/2017/NAS/00000016912

Registrar
Meristem Registrar Limited
FRC/2012/0000000504

Estate Surveyor & Valuer
Alabi, Ojo & Makinde Consulting
FRC/2012/NIESV/000000314

Arigbede & Co Estate Surveyors and Valuers
FRC/2014/NIESV/00000004634

RC No
269837

MUTUAL BENEFITS ASSURANCE PLC

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP			COMPANY		
in thousands of Nigerian Naira	**2017**	**2016**	**%**	**2017**	**2016**	**%**
STATEMENT OF PROFIT OR LOSS for the year 31 December 2017						
Gross premium written	14,037,879	12,143,610	16%	7,298,974	6,586,846	11%
Gross premium income	13,352,960	11,982,537	11%	6,986,273	6,660,747	5%
Net premium income	11,467,305	10,271,427	12%	5,939,986	5,145,271	15%
Net underwriting income	11,776,951	10,701,949	10%	6,082,235	5,457,752	11%
Underwriting profit	3,704,667	4,188,027	-12%	2,546,225	2,872,083	-11%
Profit/(loss) before income tax	1,335,093	(1,068,666)	225%	849,091	(1,248,946)	168%
Profit/(loss) after income tax	1,022,508	(1,346,286)	176%	605,276	(1,390,527)	144%
Earnings/(loss) per share: Basic and diluted	13	(17)		8	(17)	

STATEMENT OF FINANCIAL POSITION	**2017**	**2016**		**2017**	**2016**	**%**
Total assets	57,691,606	51,465,813	12%	18,720,412	16,579,092	13%
Insurance contract liabilities	10,299,090	7,401,872	39%	4,352,606	3,822,730	14%
Investment contract liabilities	26,564,221	25,956,771	2%	-	-	
Shareholders' fund	8,100,734	6,889,161	18%	5,466,843	4,810,735	14%

MUTUAL BENEFITS ASSURANCE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

The Board has the pleasure of presenting their Report on the affairs of Mutual Benefits Assurance Plc ("the Company") and its subsidiaries (together "the Group") to the Shareholders along with the Group and the Company's Audited Financial Statements and the auditors report for the year ended 31 December 2017.

LEGAL STATUS AND PRINCIPAL ACTIVITY

Mutual Benefits Assurance Plc was incorporated on the 18th day of April 1995 under the name Mutual Benefits Assurance Company Limited. The Company was converted and re-registered as a Public Limited Liability Company on 24th May 2001. On the 28th May 2002 the Company became listed on the Nigerian Stock Exchange (NSE).

The Group's Head Office is located 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, Lafia, Ojo, Oshogbo, Otta, Owerri and Yenogoa.

BUSINESS REVIEW

The Group is mainly involved in general and life insurance underwriting (under separate licenses held by the Company and its subsidiary respectively), risk management and provision of financial services.

The Company has progressed into a group with six subsidiary companies namely: Mutual Benefits Life Assurance Limited, Mutual Benefits Assurance Company, Liberia, Mutual Benefits Assurance Niger SA, Mutual Benefits Homes and Properties Limited and Mutual Benefits Microfinance Bank Limited.

MUTUAL Group's products and services are as follows:

GENERAL BUSINESS PRODUCTS

Property Insurance
Fire and Special Perils
Burglary/House Breaking
Householder, House-owner
Comprehensive
Marine Cargo
Marine Hull
Motor
Goods-in-Transit
All Risk Insurance
Engineering
Industrial All Risks
Liability/Bond Insurance
Money
Professional Indemnity
Fidelity Guarantee
Public Liability/Product Liability

LIFE INSURANCE PRODUCTS

Insurance of Person
Personal Insurance
Group Personal Accident
Individual Savings & Pension Plan
Mutual Education Guarantee Plan
Keyman Assurance
Mortgage Protection
Group Life Assurance
Term Assurance
Endowment Assurance
Retail Marketing Products
Insurvisa
Greenshield-24Hr. Accident Cover
Greenshield-Life
Director's Liability
Mutual Group Investment Protection Plan
Micro Personal Investment Plan

MUTUAL BENEFITS ASSURANCE PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

OPERATING RESULTS

Below is a summary of the Group's operating results: (in thousands of Naira)

	Group	Group		Company	Company
	2017	2016		2017	2016
	₦'000	₦'000		₦'000	₦'000
Gross Premium Written	14,037,879	12,143,610		7,298,974	6,586,846
Profit/(loss) before income tax	1,335,093	(1,068,666)		849,091	(1,248,946)
Income tax expense	(312,585)	(277,620)		(243,815)	(141,581)
Profit/(loss) after income tax	1,022,508	(1,346,286)		605,276	(1,390,527)

DIVIDENDS

The Board of Directors is proposing a dividend of 2kobo on every ordinary shares in issue amounting to ₦160,000,000 (2016: 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:

Dr. Akin Ogunbiyi	Chairman
Mr. Babatunde Dabiri	Vice Chairman
Mr. Olusegun Omosehin	Managing Director, Mutual Benefits Assurance Plc.
Mr. Adebiyi Ashiru-Mobolaji	Executive Director Operation (appointed w.e.f 1.4.2017)
Mr. Femi Asenuga	Managing Director, Mutual Benefits Life Assurance Limited.
Mr. Adesoye Olatunji	Non-Executive Director
Adm. Festus Porbeni (mni) CFR	Non-Executive Director
Mr. Michael Govan	Non-Executive Director (American) (resigned w.e.f 31/07/17)
Dr. Eze Ebube	Non-Executive Director (American)
Prof. Patrick Utomi	Non-Executive Director
Mr. Lamis Sheu Dikko	Non-Executive Director
Mr. Akinboye Oyewumi	Non-Executive Director
Ms. Kadaria Ahmed	Non-Executive Director

DIRECTORS AND THEIR INTERESTS

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

MUTUAL BENEFITS ASSURANCE PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017
DIRECTORS:

DIRECTORS:	2017 DIRECT Unit	2017 INDIRECT Unit	2016 DIRECT Unit	2016 INDIRECT Unit	PERSONS REPRESENTED
Dr. Akin Ogunbiyi	124,292,614	704,545,609	124,292,614	704,545,609	Charks Investment Ltd/Core Trust & Investment Limited
Mr. Michael Govan (resigned w.e.f 31.7.2017)	-	-	3,100,000	2,100,000,000	Charles Enterprise LLC
Dr. Eze Ebube	2,500,000	2,100,000,000	2,500,000	-	Charles Enterprise LLC
Prof. Pat Utomi	36,460,000	-	36,460,000	-	
Admiral F. Porbeni (rtd)	-	-	-	-	
Mr. Babatunde Dabiri	-	-	-	-	
Mr.Olusegun Omosehin	1,000,000	-	1,000,000	-	
Mr.Adesoye Olatunji	-	933,858,376	-	933,858,376	CIL Risk & Asset Management Limited
Mr. Femi Asenuga	1,093,150	-	1,093,150	-	
Mr. Lamis Sheu Dikko	-	-	-	-	
Mr. Akinboye Oyewumi	-	-	-	-	
Mr. Adebiyi Ashiru-Mobolaji (Appointed 1.4.2017)	12,654	-	-	-	
Ms. Kadaria Ahmed	-	-	-	-	
Mr. Gbenga Ogunko (resigned w.e.f 31.12.2016)	-	-	4,200,000	-	

ACQUISITION OF OWN SHARES
The Company did not purchase its own share in year 2017 (2016: 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 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 requirements.

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

RETIREMENT BY ROTATION
In accordance with Article 85 of the Company's Articles of Association and Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the directors to retire by rotation are: Professor Pat Utomi and Admiral Festus Porbeni (mni), CFR being eligible offer themselves for re-election.

RESIGNATION OF DIRECTORS
Since the last Annual General Meeting, Mr. Michael Govan resigned from the Board of the Company with effect from 31 July 2017.

APPOINTMENT OF DIRECTORS
There were no new appointment to the Board of the Company since the last Annual General Meeting.

FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS' INTEREST IN CONTRACTS

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

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property and equipment is given in Note 34 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
	A competitive salary package that reflects the desires of the Company to remain at the apex of the industry.	Paid monthly during the financial year
13th month salary	Part of the salary package of Executive Directors	Paid at the last month of the year
*Director fees	Allowances paid to Non-Executive Directors	Paid during the year
*Travelling allowances	Allowances paid to Non-Executive Directors who reside outside Nigeria.	Paid during the year
*Sitting allowances	Allowances paid to Non-Executive Directors only for sitting at board meetings and other business meetings.	Paid during the year

*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 ₦15,980,000 (2016: ₦6,264,500) was given out as donations and charitable contributions during the year. Details of the donations and charitable gifts are as stated below:

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

Organisations:	2017 (₦)		2016 (₦)
College of Insurance and Financial Management	4,780,000		-
Centre for Values in Leadership	500,000		-
Professional Insurance Ladies (PILA)	200,000		-
Chartered Insurance Institute of Nigeria's event	500,000		-
College of Insurance and Financial Management's Hall of Residence	10,000,000		-
Sponsorship of five students of Diploma in College of Insurance	-		4,250,000
Sponsorship of CPI's 2015 Petroleum Policy Roundtable (PPR XV)	-		200,000
Sponsorship of 2016 Christ Apostolic Church Academic Summit	-		200,000
Sponsorship of Christ Apostolic Church's Decade Celebration of the Feast of Worship	-		1,000,000
Donation to University of Benin	-		50,000
Financial Support to Orochiri Community, Port Harcourt	-		20,000
Sponsorship of the 12 Aret Adams Foundation Lecture	-		544,500
TOTAL	15,980,000		6,264,500

BENEFICIAL OWNERSHIP

The following shareholders held 5% or more of the issued and paid up shares of the Company as at 31 December 2017:

Name of Holder	ADDRESS	HOLDING	%
CORE TRUST & INVESTMENT LTD	P.O.BOX 73492 V/I LAGOS STATE LAGOS	450,323,331	5.63%
CIL RISK & ASSET MANAGEMENT LTD	233 IKORODU ROAD ILUPEJU LAGOS STATE	933,858,376	11.67%
CHARLES ENTERPRISES LLC	C/O 233 IKORODU ROAD ILUPEJU LAGOS	2,100,000,000	26.25%

ACTIVE SHAREHOLDERS – SUMMARY (RANGE ANALYSIS) Position As at: 31.12.2017

Range	No. of Holders	Holders %	Holders Cum	Units	Units %	Units Cum
1 - 5,000	13,977	38.03	13,977	33,722,707	0.42	33,722,707
5,001 - 10,000	6,523	17.75	20,500	55,096,186	0.69	88,818,893
10,001 - 100,000	13,722	37.33	34,222	513,976,053	6.42	602,794,946
100,001 - 500,000	2,059	5.60	36,281	450,944,079	5.64	1,053,739,025
500,001 - 1,000,000	244	0.66	36,525	191,553,615	2.39	1,245,292,640
1,000,001 - 5,000,000	163	0.44	36,688	333,897,612	4.17	1,579,190,252
5,000,001 - 10,000,000	20	0.05	36,708	133,512,132	1.67	1,712,702,384
10,000,001-100,000,000	38	0.10	36,746	1,196,592,173	14.96	2,909,294,557
100,000,001 above	11	0.03	36,757	5,090,705,443	63.63	8,000,000,000
Grand total	36,757	100.00		8,000,000,000	100.00	

EVENT AFTER THE REPORTING DATE

As disclosed in Note 58 to the consolidated and separate financial statements, there are no significant events after the reporting date which could have had material effect on the state of affairs of the Company as at 31 December 2017, and its profit or loss and other comprehensive income for the year then ended.

EMPLOYMENT AND HUMAN RESOURCES (HR) MATTERS

(i) Employee Involvement and Training

The Company recognises that the acquisition of knowledge is continuous, and that to foster commitment, its employees need to hone their awareness of factors: economic, financial or otherwise, that affects its growth. To this end, the Company in the execution of its training programmes (both local and international) encourages and provides the opportunity for its staff to develop and enhance their skills, awareness and horizon.

Gender Analysis

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

		Male Number	Female Number	Male %	Female %
Employees		124	72	63	37
Gender analysis of Board and Top Management is as follows:					
Board		11	1	92	8
Top Management		8	2	80	20

FOR THE YEAR ENDED 31 DECEMBER 2017

Gender Analysis

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

		Male Number	Female Number	Male %	Female %
Assistant General Manager		1	1	50	50
Deputy General Manager		4	1	80	20
Executive Director		1	0	100	0
Chief Executive Officer		1	0	100	0
Non-Executive Director		9	1	90	10

(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 clinics on retainership with the company. The clinics, which are manned by professionals who are specialists in different medical lines, offer first class medical services to the employees. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. It 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, wages review amongst others.

AUDITORS

The Auditors, Messrs. Ernst & Young indicated their willingness to continue in office in compliance with NAICOM Corporate Governance regulation. Messrs. Ernst & Young were appointed as Auditor of the Company in compliance with section 357(1) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

COMPLIANCE WITH NAICOM 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 Half Yearly Return with the Securities and Exchange Commission (SEC) as at 30 June and 31 December 2017 respectively and also its periodic returns with National Insurance Commission (NAICOM) 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 Board Committees established are equally viable and are working in line with their Terms of Reference.

By order of the Board

Abdulai, Taiwo & Co.
Company Secretaries

Adebero

Subomi Adebero (Mrs)
FRC/2013/ICSAN/00000004756
Abdulai, Taiwo & Co.
Company Secretaries

Date 17TH OF MAY, 2018

MUTUAL BENEFITS ASSURANCE PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

MUTUAL BENEFITS ASSURANCE PLC 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. Prior to the introduction of the Code of Corporate Governance for Companies in Nigeria, we had already adopted a responsible attitude towards Corporate Governance and issues of Corporate Social Responsibility in Nigeria. The Company conducts its business with integrity and pays due regard to the legitimate interest of all stakeholders.

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

THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the overall functioning of the Company. The responsibilities of the Board include setting the Company's strategic objectives and policies, providing leadership to put them into effect, supervising the management of the business, ensuring implementation of decisions reached at the Annual General Meeting, ensuring value creation to shareholders and employees, determination of the terms of reference and procedures of all Board Committees, ensuring maintenance of ethical standard as well as compliance with the laws of Nigeria. The Board consists of twelve (12) Directors, made up of two (2) Executive Directors and ten (10) Non-Executive Directors, one of whom is the Chairman. The Directors are experienced stakeholders with diverse professional backgrounds in Insurance, Accounting, Banking, Commerce, Management, Diplomacy, Engineering, Government etc. The Directors are men of impeccable character and high integrity.

The Company is indeed delighted to have a versatile Board with deep understanding of its responsibilities to Shareholders, Regulatory Authorities, Government and other Stakeholders. The Board always takes proactive steps to master and fully appreciate all cultural, legislative, ethical, institutional and all other factors, which impact our operations and operating environment. This has ensured that a culture of compliance with rules and regulation is entrenched at all levels of operations within the Company.

The meetings of the Board are scheduled well in advance and reports from Committees of the Board are circulated to all the Directors. The Board meets quarterly.

(a) RECORD OF DIRECTOR'S ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004, the record of Director's attendance and meetings held during year 2017 is available for inspection at the Annual General Meeting. The Board met five (5) times during the year and the meetings of the Board were presided over by the Chairman. Written notices of the Board meetings, along with the agenda circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

MUTUAL BENEFITS ASSURANCE PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

(a) Record of director's attendance

DIRECTORS	19.1.2017	20.03.2017	3.5.2017	27.7.2017	27.10.2017	TOTAL
Dr. Akin Ogunbiyi	✓	✓	✓	✓	✓	5
Mr. Babatunde Dabiri	✓	✓	✓	✓	✓	5
Mr. Olusegun Omosehin	✓	✓	✓	✓	✓	5
Mr. Adebiyi Ashiru-Mobolaji	na	na	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	✓	✓	5
Mr. Adesoye Olatunji	✓	✓	✓	✓	✓	5
Adm. Festus Porbeni (mni) CFR	✓	✓	✓	✓	X	4
Mr. Michael Govan	✓	X	X	✓	na	2
Dr. Eze Ebube	✓	X	X	✓	✓	3
Prof. Patrick Utomi	✓	X	✓	X	✓	3
Mr. Lamis Sheu Dikko	✓	X	✓	✓	✓	4
Mr. Akinboye Oyewumi	✓	✓	✓	✓	✓	5
Ms. Kadaria Ahmed	✓	✓	✓	✓	X	4

✓	In attendance	X	Absent
na	not applicable		

(b). Committees

The Board performed its functions through a total of four 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

i. Audit Committee

The Audit Committee is established in accordance with Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004. The Committee has the oversight functions for the Company's Accounts. The Committee, however, is not answerable to the Board. The Committee consists of six (6) members, three (3) of whom are nominated by the Board and three (3) nominated and elected by shareholders whose tenure is renewed annually.

The Committee met five (5) times to review the adequacy of the internal audit plan, to receive and deliberate on the report of the external auditors, to review progress on recommendations made in both the internal and external audit reports, to review the adequacy of internal control systems and the degree of business compliance with laid down internal policies, laws, code of business principles and any other relevant regulatory framework. Mrs. Temi Durojaiye chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	16.1.2017	20.3.2017	25.4.2017	25.7.2017	24.10.2017	TOTAL
Mrs. Temi Durojaiye	✓	✓	✓	✓	✓	5
Mr. Akin Odubiyi	✓	✓	✓	✓	✓	5
Mr. Osato Aideyan	✓	✓	✓	✓	✓	5
Mr. Babatunde Dabiri	✓	✓	✓	✓	✓	5
Mr. Adesoye Olatunji	✓	✓	✓	X	✓	4
Mr. Akinboye Oyewumi	✓	✓	✓	X	✓	4

ii Finance And General Purposes Committee

The Finance and General Purposes comprises three (3) members namely: Mr. Babatunde Dabiri, Alh Lamis Dikko, Mr. Soye Olatunji, Mr. Segun Omosehin and Mr. Femi Asenuga

The Committee met three 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. Babatunde Dabiri Chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	25.04.2017	26.07.2017	24.10.2017	TOTAL
Mr. Babatunde Dabiri	✓	✓	✓	3
Mr. Lamis Sheu Dikko	✓	✓	✓	3
Mr. Adesoye Olatunji	✓	✓	✓	3
Mr. Olusegun Omosehin	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3

iii. Establishment/Governance Committee

The Committee comprises five members met three (3) times to consider and 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	18.1.2017	16.3.2017	18.7.2017	TOTAL
Mr. Lamis Sheu Dikko	✓	✓	✓	3
Mr. Akinboye Oyewumi	X	✓	✓	2
Prof. Patrick Utomi	✓	✓	X	2
Adm. Festus Porbeni (mni) CFR	X	✓	✓	2
Ms. Kadaria Ahmed	✓	✓	✓	3

iv. Technical/Risk Management Committee

The Technical/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 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	9.3.2017	26.7.2017	26.10.2017	TOTAL
Dr. Eze Ebube	✓	✓	✓	3
Mr. Michael Govan	✓	✓	na	2
Mr. Olusegun Omosehin	✓	✓	✓	3
Mr. Femi Asenuga	✓	✓	✓	3
Mr. Adebiyi Ashiru-Mobolaji	na	✓	✓	2

(c) Enterprise risk management

i. Introduction and Overview

Mutual Benefits Assurance Plc 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 Assurance Plc, 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 times comply with all government regulations and uphold best international practice.
- The Company will build an enduring risk culture, which shall pervade the entire organisation.
- The Company will at all times hold a balanced portfolio and adhere to guidelines on investment issued by regulator and Finance and General Purpose Committee of the Company.
- The Company will ensure that there is adequate reinsurance in place for its businesses and also ensure prompt payment of such premiums.

iii. Approach to Risk Management

At Mutual Benefits Assurance Plc, 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 Risk Management which ensures that various functions are geared towards minimizing the likelihood of the impacts of risks faced by the Company.

v. The Audit Committee

This is a statutory Committee of the Board which is saddled with the following functions::

- Perform oversight function on accounting and financial reporting
- Liaise with the external auditor
- Ensure regulatory compliance
- Monitoring the effectiveness of internal control process within the Company

vi. Technical/Risk Management Committee

This Committee oversees the business process. Their functions include:

- Reviewing of Company's risk appetite.
- Oversee management's process for identification of significant risk across the Company and the adequacy of prevention detection and reporting mechanisms.
- Review underwriting risks especially above limit for adequacy of reinsurance and 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 - Continued

vii. Finance & General Purpose 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 last level 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 ASSURANCE PLC

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2017

To the members of Mutual Benefits Assurance Plc

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

- We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and we acknowledge that the scope and planning of both the external and internal audits for the year ended 31 December 2017 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 auditors' 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.

MRS. TEMI DUROJAIYE
Chairperson, Audit Committee
FRC/2013/ICAN/00000003102

Date:

Members of the Audit Committee are:

1	Mrs. Temi Durojaiye	Chairperson
2	Mr. Akin Odubiyi	Shareholders' Representative
3	Mr. Osato Aideyan	Shareholders' Representative
4	Mr. Babatunde Dabiri	Board's Representative
5	Mr. Adesoye Olatunji	Board's Representative
6	Mr. Akinboye Oyewumi	Board's Representative

Secretary to the Committee

Babajide Ibitayo

MUTUAL BENEFITS ASSURANCE PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2017

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

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

d) The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Group and of its profit or loss and other comprehensive income. 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 will not remain a going concern for at least twelve months from the date of this statement.

Dr. Akin Ogunbiyi	Olusegun Omosehin
Chairman	Managing Director/CEO
FRC/2013/CIIN/00000003114	FRC/2013/CIIN/000000003103
Date:	Date:

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUTUAL BENEFITS ASSURANCE PLC

Report on the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Mutual Benefits Assurance Plc and its subsidiaries (the Group), which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and consolidated and separate other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements of Mutual Benefits Assurance Plc and its subsidiaries present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and of their financial performance and cash flows for year then ended and have been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standard Board (IASB), the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

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 Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Mutual Benefits Assurance Plc and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Mutual Benefits Assurance Plc and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 period. 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 the matter below, our description of how audit addressed the matter is provided in that context.

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

Key Audit Matter	How the matter was addressed in the audit
The Group has insurance contract liabilities of ₦10 billion, out which outstanding claims of ₦6.0 billion (2016: ₦3.9billion) as at 31 December 2017 representing 12.3% (2016: 9%) of the Group's total liabilities. The valuation of these liabilities is highly judgmental as it requires a number of assumptions to be made with high estimation uncertainity such as future outcomes of claims, including primarily the timing and ultimate full settlement of long term policy liabilities. It requires economic assumptions such as investment return and interest rates and non-economic actuarial assumptions such as mortality, morbility and customer behavior. The complexity of the valuation models may give rise to errors as a result of inadequate/incomplete date or inadequate design or application of the models. Due to its significance and the complexity of the related estimation and judgements, this is considered to be a key audit matter. The accounting policies and details relating to the insurance contract liabilities are disclosed in Notes 2.3.27 and 38 to the consolidated and separate financial statements, respectively.	Consistent with the insurance industry practice, the Company engaged the actuary to test the adequacy of the insurance contract valuation as at year end. With the assistance of our actuarial specialists, we performed the following audit procedures on the Company's actuarial reports: i. We considered the appropriateness of the assumptions used in the valuation of the insurance contracts by reference to the Company's and industry's data and expectations of investment returns, future longevity and expense developments. ii. We considered the appropriateness of the non-economic assumptions used in the valuation of the insurance contracts in relation to lapse or extension assumptions by reference to Company specific and industry data. i. We reviewed and documented management's process for estimating life policy benefits. ii. We assessed the design and tested the operating effectiveness of internal controls over the integrity of underwriting and claims data in the system as well as over the reserving and claims processes. iii. We performed file reviews of specific underwriting contracts in order to maximize our understanding of the book of business and validate initial loss estimates. iv. We performed subsequent year claim payments to confirm the reasonableness of the initial loss estimates.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUTUAL BENEFITS ASSURANCE PLC - Continued

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Five-year financial summary and Statement of value added as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Corporate Governance Report as required by Code of Corporate Governance issued by Securities and Exchange Commision (SEC) and National Insurance Commission (NAICOM) and Audit Committee Report as required by Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The other information were obtained prior to the date of this report, and the Annual Report, is expected to be made available to us after that date. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MUTUAL BENEFITS ASSURANCE PLC - Continued

Auditors' Responsibilities for the Audit of the Financial Statements - Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003, we confirm that:

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

ii in our opinion, proper books of account have been kept by the Company, in so far as appears from our examination of those books;

iii the Company and the Group consolidated and separate statements of financial position, profit or loss and other comprehensive income are in agreement with the books of account;

iv in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003 so as to give a true and fair view of the state of affairs and financial performance.

Penalties

The Company incurred penalties in respect of contraventions of the requirement of certain section of the National insurance Commission's Operational Guideline 2011 during the financial year. The details of the contraventions and penalties are disclosed in note 57 of the financial statements.

Kayode Famutimi, FCA,
FRC/2012/ICAN/00000000155

For: Ernst & Young
Lagos, Nigeria

Date:

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 496077

MUTUAL BENEFITS ASSURANCE PLC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

These financial statements are the consolidated and separate financial statements of Mutual Benefits Assurance Plc ("the Company") and its subsidiaries (hereafter referred to as 'the Group'). The address of the registered office is: Aret Adams House, 233 Ikorodu Road, Ilupeju - Lagos.

Mutual Benefits Assurance Plc ("the Company") (RC 269837) was Incorporated as a private limited company on 18 April 1995, granted the Certificate of Registration as an Insurer by the National Insurance Commission (NAICOM) in September 1995, commenced operations on 2 October 1995 and became a public liability company on 24 May 2001. Mutual Benefit Assurance Plc is a financial, wealth protection company in Nigeria. The Company is listed on the Nigerian Stock Exchange.

The Company invests policy holders funds and pays claims arising from insurance contract liabilities in line with the provisions of Insurance Act, CAP I17, Laws of the Federation of Nigeria 2004 and NAICOM guidelines.

The principal activities of the subsidiaries and information of the Group's structure are disclosed in Note 32. Information on other related party relationships of the Group is provided in Note 55.

The consolidated and separate financial statements of the Company and its subsidiaries were authorised for issue by the Board of Directors on 22 February 2018.

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 Company.

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

2. Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

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

2.2 Basis of presentation and 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) 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 comprises 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 financial statements values are presented in Nigerian Naira (₦) rounded to the nearest thousand (₦'000), unless otherwise indicated.

2.2 Basis of presentation and compliance with IFRS - Continued

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

(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 fair value.

(b) Use of estimates and judgements

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

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.3.38.

2.3. Significant accounting policies

Except for the effect of the changes in accounting policies, 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 2017. 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.

2.3.1 Basis of Consolidation - Continued

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

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

The Group applies the acquisition method to account for Business Combinations and acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the statement of 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 purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit (CGU) that is 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 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 of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of 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.

2.3.4.1 Transactions and balances - Continued

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).

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 Investment in an associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

2.3.6 Segment reporting
For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments, as follows:

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. No inter-segment transactions occurred in 2017 and 2016.

2.3.7 Revenue recognition

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

2.3.7.1 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. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

2.3.7.2 Annuity premium and claims
Annuity premiums relate to single premium payments and recognised as earned premium income in the period in which payments are received. Claims are made to annuitants in the form of monthly/quarterly payments based on the terms of the annuity contract and charged to statement of profit or loss as incurred. Premiums are recognised as revenue when they become payable by the contract holders. Premium are shown before deduction of commission.

2.3.7.3 Reinsurance premiums
Gross outward reinsurance premiums on life and investment contracts 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.7.3 Reinsurance premiums - Continued
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.

2.3.7.4 Fees and commission income
Insurance and investment contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

2.3.7.5 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

2.3.7.6 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 the significant risks and rewards of ownership are transferred to buyer.

2.3.7.7 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.

2.3.8 Benefits, claims and expenses recognition

2.3.8.1 Gross benefits and claims
Gross benefits and claims for life insurance contracts and for investment contracts with DPF 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. Maturities and annuity payments are recorded when due.

General insurance and health 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.

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

2.3.8.3 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. They are recognized in the statement of profit or loss over the tenor of the insurance cover.

2.3.8.4 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.

2.3.8.5 Finance costs
Interest expense 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.

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

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.

2.3.10 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.

2.3.10.1 Financial assets

2.3.10.1.1 Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at FVPL, held to maturity (HTM) investments, loans and receivables and Available-for-sale (AFS) financial assets. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

2.3.10.1.1 Initial recognition and measurement - Continued
The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at FVPL where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS category is used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

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.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

2.3.10.1.2 Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Fair value through profit or loss
- Held to maturity (HTM) investments
- Loans and receivables
- AFS financial assets

i. Fair value through profit or loss
Financial assets at FVPL include financial assets held for trading and those designated upon initial recognition as at FVPL. Investments typically bought with the intention to sell in the near future are classified as held for trading. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. For investments to be designated as at FVPL, the following criteria must be met:

▶ The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; Or,
▶ The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income', using the effective interest rate (EIR). Dividend income is recorded in 'investment income' when the right to the payment has been established.

Held to maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. 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 'investment income' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

iii. Available -for-sale financial assets

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Where the insurer holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the EIR. Dividends earned whilst holding AFS investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss and removed from the AFS reserve.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.3.10.1.3 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized 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.

2.3.10.1.3 Derecognition of financial assets - Continued
When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough 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.

2.3.10.1.4 Impairment of financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income (recorded as investment income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2.3.10.1.4 Impairment of financial assets

ii. Available-for-sale financial investments
For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. The determination of what is 'significant' is 20% and 'prolonged' is six months.

2.3.10.2 Financial liabilities

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

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

2.3.10.2.2 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.

2.3.10.2.3 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.

2.3.11 Deposit liabilities

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

Interest paid on the deposits is expensed as finance cost in profit or loss' during the period in which the Group has the obligation to pay the interest. Deposits are derecognised when repaid to customers on demand or used to offset amount(s) due from the customer as agreed in the contract.

2.3.12 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.

2.3.12 Fair value measurement - Continued

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted Available-for-sale (AFS) financial assets, 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 and significant liabilities, such as contingent consideration. 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 valuation committee 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. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

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

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

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

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

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

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

2.3.12 Fair value measurement - Continued

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2.3.13 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.

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

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

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

Goodwill

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

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

2.15 Impairment of non-financial assets - Continued

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

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

Intangible assets

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

2.3.14 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 (held-for-trading, held to maturity or available for sale) 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 IAS 39.

2.3.15 Trade receivables

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

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

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

2.3.16 Reinsurance

2.3.16.1 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.

2.18 Reinsurance - continued

2.3.16.1 Reinsurance ceded to reinsurance counterparties - 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.

2.3.16.2 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.

2.3.17 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.

2.3.18 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.

2.3.19 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 IAS 18, "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.

2.3.20 Leases

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

Group as a lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

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

Group as a lessor

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

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

Advances to customers under finance lease

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

2.3.21 Investment properties

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

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

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

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

2.3.22 Investments in subsidiaries

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

2.3.23 Intangible assets

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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 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 fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently 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 to the residual values over the estimated useful lives as follows;

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.25 Statutory deposit

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

2.3.26 Deposit for shares

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

2.3.27 Insurance contracts

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

2.3.27.1 General insurance contracts

These contracts are accident and casualty and property insurance contracts. Accident and casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

(i) Reserves for unearned premium

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

(ii) Reserves for outstanding claims

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

2.3.27 Insurance contracts - Continued

2.3.27.2 Life business

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

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

2.3.27.3 Annuity contracts

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

(i). Life fund

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

Liability adequacy test

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

2.3.28 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Investment contracts can be classified into interest linked and unitised fund. Interest linked investment contracts are measured at amortised cost while unitised funds are measured at fair value. Investment contracts with guaranteed returns (interest linked) and other business of a savings nature are recognized as liabilities. Interest accruing to the life assured from investment of the savings is recognized in the profit or loss account in the year it is earned while interest due to depositors is recognized as an expense. The net result of the deposit administration revenue account is transferred to the statement of profit or loss of the group.

The Group's investment contracts are classified into group and individual. Individual investment contract liabilities are derecognised when settled at maturity, surrendered or used to offset policy loans. Group investment contract liabilities are derecognised when paid, refunded or cancelled. Actuarial differences arising on valuation of the liabilities at the reporting date is recognised in the statement of profit or loss.

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

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

2.3.30 Taxes

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.31 Provisions

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

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

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

2.3.33 Equity

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

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

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

2.3.33.4 Contingency reserve

(i). *Non-life business*
In compliance with Section 21 (2) of Insurance Act 2003, the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

(ii). *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 premiums or 10% of net profit.

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

The revaluation surplus in respect of an item of property, plant and equipment is transferred to retained earnings when the asset is derecognised. This involves transferring the whole of the surplus when the asset is retired or disposed. The amount of the surplus transfered 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.

2.3.34 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 Standards issued but not yet effective

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

IFRS 9 financial instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The Group intends to adopt these standards, if applicable, when they become effective.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Classification and measurement:

A debt instrument is generally measured at amortised cost if both of the following conditions are met:

(a) the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is normally measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

(a) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that is not measured at amortised cost or at FVOCI must be measured at Fair value through profit or loss (FVTPL). An entity may irrevocably designate a debt instrument as measured at FVTPL at initial recognition. This is allowed if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch').

IMPACT

From the results, the Group does not expect significant impact on its debt financial assets such as other receivables, staff loans, cash & cash equivalent and short term deposit. These instruments are currently measured at amortised cost and are expected to be measured at amortised cost under IFRS 9 as they are held to collect contractual cash flows.

The Group expects medium impact on the treasury bills currently measured at amortised cost. The treasury bills are held to collect contractual cash flow, manage liquidity and match the duration of insurance liabilities. Hence, the business model is achieved both by collecting contractual cash flows and selling. Treasury bills would therefore be measured at Fair value through other comprehensive income under IFRS 9.

EQUITY INSTRUMENT

Equity instruments and derivatives are normally measured at FVTPL. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. For the purpose of this election, 'equity instrument' is used as defined in IAS 32 Financial Instruments: Presentation.

Although most gains and losses on investments in equity instruments designated at FVOCI will be recognised in OCI, dividends will normally be recognised in profit or loss.

Meanwhile, gains or losses recognised in OCI are never reclassified from equity to profit or loss. Consequently, there is no need to review such investments for possible impairment.

2.3.36 Standards issued but not yet effective

IFRS 9 financial instruments - continued

IMPACT
Quoted equity and unquoted equity would be measured at FVTPL except the Group makes an irrecoverable option to designate at FVOCI.
Unquoted equity previously measured at cost because it does not have quoted price in an active market must be measured at fair at the date of transition. Hence, any difference between the previous carrying amount and the fair value will be recognised in the opening retained earnings at the date of transition. It is estimated that on adoption of the new standard on 1 January 2018, the fair value of equity instruments would increase by N1million with a corresponding increase in retained earnings.

FINANCIAL LIABILITIES
There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets:
IFRS 9 requires an entity to recognise a loss allowance for expected credit losses on: debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and lease receivables.

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach
- The purchased or originated credit-impaired approach

The general approach
Using the general approach to recognising impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument.

Simplified approach for trade receivables
IFRS 9 states that an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:
(a) trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that:
(i) do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with IFRS 15(63); or
(ii) contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

IFRS 9 states that an entity shall measure expected credit losses of a financial instrument in a way that reflects:
(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.3.36 Standards issued but not yet effective

IFRS 9 financial instruments - continued

Simplified approach for trade receivables - continued
When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.
The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

IMPACT
In measuring the loss allowance, the general approach will be used for the term loan, staff loan and Treasury bill (carried at amortised cost and FVTOCI).
The Group has a policy choice either to use the general approach or the simplified approach in recognizing impairment for lease receivables.
The Group is required to estimate the reasonably possible loss scenarios and the respective probabilities to arrive at an unbiased and probability weighted amount that reflects the time value of money, based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group will take the followings into consideration:
- The period over which to estimate ECLs
- Probability - weighted outcomes
- The time value of money (Mutual Benefits will ignore the need to consider explicitly the time value of money, because the effect is considered immaterial)
- Reasonable and supportable information.

The ECLs in respect of receivables are recognized as a loss allowance against the gross carrying amount of the asset, with the resulting loss being recognized profit or loss.

IFRS 15 Revenue from Contracts with Customers
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
IFRS 15 applies to all entities and all contracts with customers to provide goods or services in the ordinary course of business, except for the following contracts, which are specifically excluded:
- Lease contracts within the scope of IAS 17 Leases (or IFRS 16 Leases)
- Insurance contracts within the scope of IFRS 4 Insurance Contracts
- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures
- Non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers

2.3.36 Standards issued but not yet effective

IFRS 15 Revenue from Contracts with Customers - continued

IMPACT
IFRS 15 applies to all contracts with customers other than specific contracts excluded from its scope.All insurance contracts and fees received for the various components of service relating to these contracts are subject to the insurance guidance rather than IFRS 15. Hence, IFRS 15 would not have any significant impact on the Company.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, The Group will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

2.3.36 Standards issued but not yet effective

IFRS 17 Insurance Contracts

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

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

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

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, 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 a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.37 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group.

Amendments to IAS 7: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has no such liability classified as such and therefore these amendments did not affect the Group's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group's accounting policy has been consistent with the amendments.

Annual Improvements 2014-2016 Cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal Company that is classified) as held for sale. During 2017 and 2016, the Group had no interests classified as such, and therefore these amendments did not affect the Group's financial statements.

2.3.38 Significant accounting judgments, 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 periods.

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

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

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

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

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios.

2.3.38 Significant accounting judgments, estimates and assumptions - Continued

Non-life insurance contract liabilities
Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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.

2.3.38 Significant accounting judgments, estimates and assumptions - Continued

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

Impairment on loans and receivables
In accordance with the accounting policy, the Group tests annually whether premium receivables and loans and receivable have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery.

MUTUAL BENEFITS ASSURANCE PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2017

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Gross premium written	4.1	14,037,879	12,143,610	7,298,974	6,586,846
Gross premium income	4.1	13,352,960	11,982,537	6,986,273	6,660,747
Premiums ceded to reinsurers	4.2	(1,885,655)	(1,711,110)	(1,046,287)	(1,515,476)
Net premium income	4.3	11,467,305	10,271,427	5,939,986	5,145,271
Fee and commission income	5	309,646	430,522	142,249	312,481
Net underwriting income		11,776,951	10,701,949	6,082,235	5,457,752
Net benefits and claims	6	5,154,205	3,348,883	1,914,071	1,004,168
Change in life fund	38.1.2(ii)	(4,270)	(161,532)	-	-
Change in annuity reserve	38.1.2(iii)	(22,252)	354,038	-	-
Underwriting expenses	7	2,944,601	2,972,533	1,621,939	1,581,501
Net underwriting expenses		8,072,284	6,513,922	3,536,010	2,585,669
Underwriting profit		3,704,667	4,188,027	2,546,225	2,872,083
Profit on investment contracts	8	891,899	555,466	-	-
Investment income	9	1,597,262	979,765	896,167	560,027
Net fair value gain/(loss) on assets at FVTPL	10	38,341	(58,750)	123,731	(53,475)
Other income	11	477,649	257,485	38,312	93,715
Impairment charge no longer required	12	2,011	61,682	-	28,247
Impairment charges	13	(169,137)	(10,574)	-	-
Employee benefit expenses	14	(1,939,809)	(1,914,606)	(846,284)	(931,921)
Management expenses	15	(3,451,213)	(3,364,345)	(1,931,345)	(1,893,745)
Net foreign exchange gain/(loss)	16	22,285	(1,890,120)	22,285	(1,923,877)
Result of operating activities		1,173,955	(1,195,970)	849,091	(1,248,946)
Finance costs	17	(39,432)	(27,681)	-	-
Finance income	18	200,570	154,985	-	-
Profit/(loss) before income tax		1,335,093	(1,068,666)	849,091	(1,248,946)
Income tax expense	19	(312,585)	(277,620)	(243,815)	(141,581)
Profit/(loss) after income tax		1,022,508	(1,346,286)	605,276	(1,390,527)
Profit/(loss) attributable to:					
Owners of the parent		1,036,481	(1,350,866)	605,276	(1,390,527)
Non-controlling interests		(13,973)	4,580	-	-
		1,022,508	(1,346,286)	605,276	(1,390,527)
Earnings/(loss) per share:					
Basic and diluted (kobo)	21	13	(17)	8	(17)

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 ASSURANCE PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017	GROUP		COMPANY	
in thousands of Nigerian Naira	**2017**	**2016**	**2017**	**2016**
Profit/(loss) for the year	1,022,508	(1,346,286)	605,276	(1,390,527)
Other comprehensive income:				
Items that may be reclassified to the profit or loss account in subsequent periods:				
Foreign currency translation gain	49,966	722,011	-	-
	49,966	**722,011**	-	-
Items that will never be reclassified to the profit or loss account:				
Revaluation gain on land and building	211,756	-	72,617	-
Effect of tax at 30%	(21,785)	-	(21,785)	-
	189,971	-	50,832	-
Total other comprehensive income for the year, net of tax	239,937	722,011	50,832	-
Total comprehensive income for the year, net of tax	**1,262,445**	**(624,275)**	**656,108**	**(1,390,527)**
Total comprehensive income/(loss) attributable to:				
Owners of the parent	1,219,883	(628,855)	656,108	(1,390,527)
Non-controlling interests	42,562	4,580	-	-
	1,262,445	(624,275)	656,108	(1,390,527)

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.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 December 2017					
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
ASSETS					
Cash and cash equivalents	22	8,345,638	10,734,374	3,249,277	3,804,953
Financial assets			-		
Fair value through profit or loss	23	110,952	64,097	110,952	64,097
Available-for-sale investment securities	23	849,524	849,374	21,553	21,553
Loans and receivables	23	12,245,702	12,410,169	633,143	770,941
Held-to-maturity	23	16,840,317	8,214,636	4,457,954	2,030,905
Assets pledged as collateral	24	168,064	91,188	168,064	91,188
Trade receivables	25	629,280	462,616	278,159	102,994
Reinsurance assets	26	2,455,731	1,871,739	1,086,826	1,057,693
Other receivables and prepayments	27	993,182	888,020	560,682	319,213
Finance lease receivables	29	145,055	420,049	134,044	147,965
Deferred acquisition costs	28	485,283	340,338	312,182	235,053
Inventories	30	907,822	1,332,864	-	-
Investment properties	31	8,566,000	8,726,390	56,000	56,000
Intangible assets	33	43,994	73,531	15,387	33,305
Property, plant and equipment	34	3,922,931	4,024,297	2,925,601	3,152,644
Investments in subsidiaries	32	-	-	4,000,000	4,000,000
Statutory deposits	35	500,000	500,000	300,000	300,000
Deposit for investment in equity	36	480,588	460,588	410,588	390,588
Goodwill	37	1,543	1,543	-	-
Total assets		57,691,606	51,465,813	18,720,412	16,579,092
LIABILITIES					
Insurance contract liabilities	38	10,299,090	7,401,872	4,352,606	3,822,730
Investment contract liabilities	39	26,564,221	25,956,771	-	-
Trade payables	40	2,858,296	1,270,219	1,028,272	452,495
Other liabilities	41	1,161,224	1,710,996	235,695	287,412
Deposit liabilities	42	259,268	203,845	-	-
Current income tax liabilities	44	687,173	503,843	422,005	217,733
Borrowings	43	6,509,170	6,258,070	6,509,170	6,258,070
Deferred tax liabilities	45.1	1,063,084	1,147,429	705,821	729,917
Total liabilities		49,401,526	44,453,045	13,253,569	11,768,357
EQUITY					
Share capital	46.2	4,000,000	4,000,000	4,000,000	4,000,000
Treasury shares	47	(250)	(250)	(250)	(250)
Foreign currency translation reserve	48	911,064	906,502	-	-
Contingency reserve	49	2,801,764	2,533,160	2,398,485	2,179,515
Revaluation reserve	50	1,467,403	1,288,563	1,339,395	1,288,563
Accumulated losses	51	(1,079,247)	(1,838,814)	(2,270,787)	(2,657,093)
Total shareholders' fund		8,100,734	6,889,161	5,466,843	4,810,735

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.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION - Continued

As at 31 December 2017 *in thousands of Nigerian Naira*	Notes	GROUP 2017	 2016	COMPANY 2017	 2016
Total equity attributable to the:					
Owners of the parent		8,100,734	6,889,161	5,466,843	4,810,735
Non-controlling interests in equity	52	189,346	123,607	-	-
Total equity		8,290,080	7,012,768	5,466,843	4,810,735
Total liabilities and equity		57,691,606	51,465,813	18,720,412	16,579,092
			-		-

The consolidated and separate financial statements and accompanying summary of significant accounting policies and notes to the consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 22 February 2018 and were signed on its behalf by:

Dr. Akin Ogunbiyi
FRC/2013/CIIN/00000003114
Chairman

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

Mr. Abayomi Ogunwo
FRC/2015/ICAN/00000011225
Chief Finance Officer

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

Group

For the year 31 December 2017		Attributable to equityholders of the Company									
in thousands of Nigerian Naira	Note	Share capital	Treasury shares	Foreign currency translation reserve	Contingency reserve	Revaluation reserve	Accumulated losses	Total	Non - controlling interests	Total equity
As at 1 January 2016		4,000,000	(250)	184,491	2,292,040	1,288,563	(246,828)	7,518,016	127,154	7,645,170
Total comprehensive income for the year:										
Loss for the year		-	-	-	-	-	(1,350,866)	(1,350,866)	4,580	(1,346,286)
Other comprehensive income		-	-	722,011	-	-	-	722,011	-	722,011
Total comprehensive income for the year, net of tax		-	-	722,011	-	-	(1,350,866)	(628,855)	4,580	(624,275)
Transactions with owners of equity										
Dividend		-	-	-	-	-	-	-	(8,127)	(8,127)
Transfer to contingency reserve		-	-	-	241,120	-	(241,120)	-	-	-
Total transactions with owners of equity		-	-	-	241,120	-	(241,120)	-	(8,127)	(8,127)
As at 31 December 2016		4,000,000	(250)	906,502	2,533,160	1,288,563	(1,838,814)	6,889,161	123,607	7,012,768
Total comprehensive income for the year:										
Profit for the year		-	-	-	-	-	1,036,481	1,036,481	(13,973)	1,022,508
Other comprehensive income		-	-	4,562	-	178,840	-	183,402	56,535	239,937
Total comprehensive income for the year, net of tax		-	-	4,562	-	178,840	1,036,481	1,219,883	42,562	1,262,445
Transactions with owners of equity										
Additions during the year	52	-	-	-	-	-	-	-	14,867	14,867
Changes in equity		-	-	-	-	-	(8,310)	(8,310)	8,310	-
Transfer to contingency reserve		-	-	-	268,604	-	(268,604)	-	-	-
Total transactions with owners of equity		-	-	-	268,604	-	(276,914)	(8,310)	23,177	14,867
As at 31 December 2017		4,000,000	(250)	911,064	2,801,764	1,467,403	(1,079,247)	8,100,734	189,346	8,290,080

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.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued

Company

For the year 31 December 2017 *in thousands of Nigerian Naira*	Share capital	Treasury shares	Contingency reserve	Revaluation reserve	Accumulated losses	Total
As at 1 January 2016	4,000,000	(250)	1,981,910	1,288,563	(1,068,961)	6,201,262
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(1,390,527)	(1,390,527)
Total comprehensive income for the year, net of tax	-	-	-	-	(1,390,527)	(1,390,527)
Transactions with owners of equity						
Transfer to contingency reserve	-	-	197,605	-	(197,605)	-
Total transactions with owners of equity	-	-	197,605	-	(197,605)	-
As at 31 December 2016	4,000,000	(250)	2,179,515	1,288,563	(2,657,093)	4,810,735
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	605,276	605,276
Other comprehensive income	-	-	-	50,832	-	50,832
Total comprehensive income for the year, net of tax	-	-	-	50,832	605,276	656,108
Transactions with owners of equity						
Transfer to contingency reserve	-	-	218,970	-	(218,970)	-
Total transactions with owners of equity	-	-	218,970	-	(218,970)	-
As at 31 December 2017	4,000,000	(250)	2,398,485	1,339,395	(2,270,787)	5,466,843

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 ASSURANCE PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

As at 31 December 2017		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
Cash flows from operating activities					
Cash received from insurance contract policy holders		14,131,483	12,092,836	7,464,644	6,610,209
Cash received from investment contract policy holders	39	11,985,338	12,338,438	-	-
Cash withdrawal by investment contract policy holders	39	(13,419,003)	(12,227,691)	-	-
Commission received		262,001	561,388	172,423	359,597
Reinsurance paid		(1,410,546)	(1,798,578)	(1,108,287)	(1,192,863)
Claims paid	6	(4,870,058)	(3,220,168)	(2,038,841)	(1,487,493)
Claims recovered from reinsurers	6	2,270,525	406,640	837,996	253,039
Commission paid	28.1	(2,299,574)	(2,323,825)	(1,042,574)	(991,304)
Payments to employees	14	(1,939,809)	(1,914,606)	(846,284)	(931,921)
Investment income	9	1,597,262	979,765	896,167	560,027
Other cash received		678,219	412,470	38,312	93,715
Cash paid to brokers, suppliers and other providers of services		(4,529,326)	(2,484,433)	(3,227,659)	(1,776,363)
Income tax paid	44	(235,386)	(283,812)	(85,425)	(232,806)
Net cash flows from operating activities	53	2,221,126	2,538,424	1,060,472	1,263,838
Investing activities:					
Purchase of intangible assets	33	(21,796)	(18,759)	(13,725)	(9,631)
Purchase of property, plants and equipments	34	(366,979)	(716,340)	(151,758)	(514,185)
Proceeds from sale of properties, plant and equipment		8,903	21,986	1,895	13,600
Receipts on finance lease recievables	29.1	227,959	742,500	28,721	587,119
Additions to finance lease receivables	29.1	-	(8,527)	-	(8,525)
Receipts on loans and advances		2,050,001	1,691,491	-	-
Purchase of held-to-maturity financial assets		(16,252,540)	(7,693,808)	(3,565,863)	(1,766,043)
Proceeds from held-to-maturity financial assets		9,401,338	-	1,831,196	-
Proceeds from sale of investment properties		75,000	-	-	-
Additions to deposit for shares		(20,000)	(113,001)	(20,000)	(113,001)
Purchase of available-for-sale investments		-	(20,553)	-	(20,553)
Net cash flows used in investing activities		(4,898,114)	(6,115,011)	(1,889,533)	(1,831,219)
Financing activities					
Increase in non-controlling interests]		14,867	-	-	-
Net cash flows used in financing activities		14,867	-	-	-
Net decrease in cash and cash equivalents		(2,662,121)	(3,576,587)	(829,061)	(567,382)
Effects of exchange rate changes on cash and cash equivalents		273,385	294,855	273,385	261,098
Cash and cash equivalents as at 1 January		10,734,374	14,016,106	3,804,953	4,111,237
Cash and cash equivalents as at 31 December	22	8,345,638	10,734,374	3,249,277	3,804,953
Operational cash flows from interest and dividends					
Interest received		200,570	154,985	-	-
Interest paid		(39,432)	(27,681)	-	-
Dividend received		202	35,948	202	35,948

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.

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 insurred 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 reversionaty 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 beneficiairies 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 practive 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

(a) *Life insurance contracts - Continued*

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

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

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

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

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

	GROUP			COMPANY		
	31 Dec-2017			31 Dec-2017		
In thousands of Nigerian Naira	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	5,392,973	1,070,169	4,322,804	-	-	-
Credit Life Assurance Scheme	21,662	-	21,662	-	-	-
Total	5,414,635	1,070,169	4,344,466	-	-	-
	31 Dec-2016			31 Dec-2016		
Whole life and term assurance	3,329,739	771,068	2,558,671	-	-	-
Credit Life Assurance Scheme	20,085	-	20,085	-	-	-
Total	3,349,824	771,068	2,578,756	-	-	-

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-2017			31 Dec-2017		
In thousands of Nigerian Naira	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	5,156,574	1,070,169	4,086,405			
Liberia	258,061	-	258,061	-	-	-
Total	5,414,635	1,070,169	4,344,466	-	-	-
	31 Dec-2016			31 Dec-2016		
Nigeria	3,210,013	771,068	2,438,945	-	-	-
Liberia	139,811	-	139,811	-	-	-
Total	3,349,824	771,068	2,578,756	-	-	-

(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.

(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-2017		GROUP				COMPANY			
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	Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality/morbidity rate	+10%	28,478	28,478	28,478	19,935	-	-	-	-
Longevity	+10%	3,211	3,211	3,211	2,248	-	-	-	-
Lapse and surrenders rate	+10%	-	-	-	-	-	-	-	-
Discount rate	+1%	(28,197)	(28,197)	(28,197)	(19,738)	-	-	-	-
Mortality/morbidity rate	-10%	(24,693)	(24,693)	(24,693)	(17,285)	-	-	-	-
Longevity	-10%	(3,099)	(3,099)	(3,099)	(2,169)	-	-	-	-
Lapse and surrenders rate	-10%	-	-	-	-	-	-	-	-
Discount rate	-1%	32,484	32,484	32,484	22,739	-	-	-	-

31 Dec-2016		GROUP				COMPANY			
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	Increase/ (decrease) on gross liabilities	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality/morbidity rate	+10%	20,396	19,676	19,676	13,773	-	-	-	-
Longevity	+10%	19,636	19,636	19,636	13,746	-	-	-	-
Lapse and surrenders rate	+10%	-	-	-	-	-	-	-	-
Discount rate	+1%	(29,290)	(29,290)	(29,290)	(20,503)	-	-	-	-
Mortality/morbidity rate	-10%	(20,396)	(19,676)	(19,676)	(13,773)	-	-	-	-
Longevity	-10%	(19,636)	(19,636)	(19,636)	(13,746)	-	-	-	-
Lapse and surrenders rate	-10%	-	-	-	-	-	-	-	-
Discount rate	-1%	31,932	31,932	31,932	22,353	-	-	-	-

(b) *Non-life insurance contracts*

The Group principally issues the following types of general insurance contracts: motor, general accident, Bond, Marine, Fire, Aviation and Oil and Gas. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. 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 business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure material events.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

31 Dec-2017	GROUP			COMPANY		
in thousands of Nigerian Naira	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net liabilities
Motor	1,867,929	321,288	1,546,642	1,389,265	52,426	1,336,839
Fire	529,626	174,017	355,609	476,441	144,143	332,298
General Accident	1,292,951	787,840	505,111	1,292,951	787,840	505,111
Marine	476,098	82,746	393,352	476,098	82,746	393,352
Aviation & Oil and Gas	723,485	20,582	702,903	723,485	20,582	702,903
	4,890,089	1,386,472	3,503,617	4,358,240	1,087,737	3,270,503

31 Dec-2016	GROUP			COMPANY		
in thousands of Nigerian Naira	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net liabilities
Motor	1,394,413	78,995	1,315,418	1,188,028	40,315	1,147,713
Fire	434,744	241,838	192,906	411,812	237,540	174,272
General Accident	1,108,042	214,568	893,474	1,108,042	214,568	893,474
Marine	359,582	90,636	268,946	359,582	90,636	268,946
Aviation & Oil and Gas	755,266	474,635	280,631	755,266	474,635	280,631
	4,052,047	1,100,672	2,951,375	3,822,730	1,057,694	2,765,036

(b) *Non-life insurance contracts - Continued*

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Change in assumptions and sensitivity analysis

Sensitivity analyses are performed to test the variability around the reserves that are calculated at a best estimate level. The estimated claim amounts can never be an exact forecast of future claim amounts and therefore looking at how these claim amounts can vary can provide valuable information for business planning and risk appetite considerations.

A sensitivity analysis was done to determine how the IBNR reserve amount would change if we were to consider the 75th percentile as opposed to our best estimate figures included in reserve reviews as at 31 December 2017. The 75th percentile is a generally accepted level of prudency.

Results based on the Normal Distribution

We use the Normal distribution as a proxy for the distribution of the IBNR claims reserve with a mean equal to the best estimate reserve calculated for each class of business.

In order to determine the standard deviation of the distributions we equated the 0.5th percentile of the distributions to be equal to 0 thereby assuming that the IBNR reserve % cannot be negative.

Through the use of the mean and the 0.5th percentile we were able to calculate the implied standard deviations for each class.

Change in assumptions and sensitivity analysis

The results based on fitting a Normal distribution to the best estimate IBNR reserves as at 31 December *2017 are as follows:*

Class of Business	*Best estimate*		*75th percentile using Normal distribution*	
in thousands of Nigerian Naira	***Gross IBNR***	***Net IBNR***	***Gross IBNR***	***Net IBNR***
Fire	96,188	91,379	121,375	115,306
General Accident	106,009	98,589	133,768	124,404
Marine & Aviation	103,461	97,254	130,553	122,720
Motor	106,012	103,362	133,772	130,428
Oil & Gas	162,605	162,605	205,184	205,184
Total	574,275	553,189	724,652	698,042

Overall there is a 26.3% increase from the best estimate calculated and that at the 75th percentile.

The 75th percentile is generally regarded as a prudent level for IBNR reserves. More importantly, the difference between the best estimate and the 75th percentile provides management with an indication of the variability inherent in the IBNR reserves.

Based on the assumption that reserves follow a Normal distribution, there is only a 25% chance that the gross IBNR reserves required by Mutual Benefits will exceed ₦725 million as at 31 December 2017.

(b) *Non-life insurance contracts - Continued*

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Basic Chain Ladder method (BCL)

Development factors were calculated using the last 3, 4, 5, 6 and 7 years of data by accident year or quarter. Ultimate development factors are calculated for each of the permutations and the most appropriate pattern is selected.

Ultimate development factors are applied to the paid data per accident year or quarter and an ultimate claim amount is calculated. The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development patterns calculated. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter.

For cases where there were large losses that had been reported but not paid, and therefore would not have influenced the development patterns, the total case reserve were excluded from the calculation of the IBNR.

i.e. IBNR = Ultimate claim amount (excl. extreme large losses) minus paid claims to date minus claims outstanding (excl.extreme large losses)

Assumptions underlying the BCL

The Basic Chain Ladder Method assumes that past experience is indicative of future experience i.e. thatclaims recorded to date will continue to develop in a similar manner in the future.

An implicit assumption is that, for an immature accident year, the claims observed thus far tell you something about the claims yet to be observed.

A further assumption is that it assumes consistent claim processing, a stable mix of types of claims, stable inflation and stable policy limits.

If any of these assumptions are invalidated, the results of the reserving exercise may prove to be inaccurate.

Loss Ratio method

For two (2) of the classes namely Energy and Aviation, there were very limited data. A BCL method was therefore inappropriate. Expected experience to date was considered as well as the average assumed Ultimate Loss ratio in carrying out the calculation.

Average delay durations were calculated from the data provided. In the absence of any data, various options were provided.

The IBNR is then calculated as: Expected % of claims to still arise in future based on average delay X average ultimate loss ratio assumed X earned premium for the current year

(b) *Non-life insurance contracts - Continued*

Assumptions underlying the Loss Ratio Method

It was assumed that the average delay in reporting of claims will continue into the future. If it is expected that these delay assumptions no longer hold, an adjustment needs to be made to allow for this change in reporting. If the delay period in reporting is expected to have increased from previous years, the results shown in the report will be understated. Additionally, an estimate of the average ultimate loss ratio will need to be assumed. Loss ratios provided were used to obtain the average loss ratio as well as
experience that has been seen to date in previous accident years. Although a reasonability check was not conducted on the loss ratios by comparing the loss ratios to industry figures, if the loss ratios average is not indicative of future experience, the IBNR calculated could be under/over estimated.

Unearned premium provision was calculated using a time - apportionment basis, in particular, the 365ths method. The same approach was taken for deferred acquisition cost. Combined ratio for financial year 31 December 2017 was calculated per class of business, taking into account the additional movement in claims reserves as at 31 December 2017 as a result of the IBNR figures calculated during the reserving exercise. This combined ratio was then applied to the UPR per class of business to determine the expected future underwriting experience for the unexpired risk period, and to ascertain whether the UPR held as at 31 December 2016 was deemed sufficient. The Additional Unexpired Risk Reserve (AURR) is limited to a minimum of 0, i.e. there is no allowance for reduction in the UPR due to expected future profits arising from premiums written which will be earned in future.

In thousands of Nigerian Naira			DEVELOPMENT YEARS				
Fire	0	1	2	3	4	5	6
Accident Year							
2011	-	-	3,934	4,216	15,851	4,851	5,156
2012	-	102,043	130,776	147,379	146,058	146,194	
2013	65,907	129,803	171,111	178,620	172,767		
2014	113,696	249,224	253,131	265,388			
2015	116,753	175,298	168,480				
2016	172,707	258,930					
2017	120,098						
Total	589,159	915,298	727,431	595,602	334,676	151,045	5,156

In thousands of Nigerian Naira			DEVELOPMENT YEARS				
General accident	0	1	2	3	4	5	6
Accident Year							
2011	-	-	12,523	19,191	21,182	23,731	23,963
2012	-	110,695	149,335	157,475	167,234	176,644	
2013	100,719	232,932	276,502	298,189	323,764		
2014	143,805	247,812	274,905	284,866			
2015	123,635	243,841	263,705				
2016	99,258	225,092					
2017	147,474						
Total	614,890	1,060,372	976,970	759,720	512,180	200,375	23,963

(b) *Non-life insurance contracts - Continued*

Development claim tables

in thousands of Nigerian Naira			DEVELOPMENT YEARS				
Marine and Aviation	0	1	2	3	4	5	6
Accident Year							
2011	-	-	928	3,600	3,601	21,535	21,535
2012	-	42,875	42,875	47,443	47,443	47,443	
2013	16,618	30,488	32,750	32,887	32,887		
2014	37,397	114,189	118,499	118,499			
2015	66,774	167,852	169,546				
2016	68,699	111,224					
2017	87,343						
Total	276,831	466,628	364,598	202,429	83,931	68,978	21,535

in thousands of Nigerian Naira			DEVELOPMENT YEARS				
Motor	0	1	2	3	4	5	6
Accident Year							
2011	-	-	12,737	14,463	16,833	21,065	22,768
2012	78	166,258	175,766	177,804	178,493	178,493	
2013	469,160	715,356	729,823	731,234	731,234		
2014	557,713	747,192	761,284	761,558			
2015	473,318	698,490	709,093				
2016	563,864	741,647					
2017	630,155						
Total	2,694,288	3,068,943	2,388,703	1,685,059	926,560	199,558	22,768

in thousands of Nigerian Naira			DEVELOPMENT YEARS				
Oil & Gas	0	1	2	3	4	5	6
Accident Year							
2011	-	-	21,623	123,839	123,856	131,018	131,018
2012	-	28,401	53,577	63,815	68,398	68,398	
2013	73,620	85,390	97,481	97,481	97,481		
2014	25	35,571	35,571	36,190			
2015	-	1,948	1,948				
2016	14	1,713					
2017	27,566						
Total	101,225	153,022	210,200	321,326	289,735	199,415	131,018

3.1.2 *Financial risks management*

(a) *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*

Mutual Benefits Assurance Group is exposed to risk relating to its loan receivables, finance lease receivable, statutory deposits, bank balances, 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.

Trade receivables

The Group has placed more responsiveness on effective management of credit risk exposure that relates to trade receivables. In general, the regulator has laid great emphasis on "No Premium, No Cover" and this has positively changed the phase of credit management within the industry. The Group defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement.

Stringent measures have been placed by the regulator to guide against credit default. Credit risk exposure operates from the level of brokered transactions with little emphasis placed on direct business. The Company's credit risk exposure to brokered business is very low as the Company requires brokers to provide credit note which is due 30 days from receipt before incepting insurance cover on behalf of their clients.

The Group credit risk originates from reinsurance recoverable transactions, brokers and agents.

Impairment model

Premium debtors, which technically falls under receivables is recognized at a fair value and subsequently measured at amortized cost, less provision for impaired receivables.

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

1 The impairment of the premium debtors is to be assessed at two different levels, individually or collectively. However, based on NAICOM's "No Premium No Cover" guidelines which state that "all insurance covers shall now be provided on a strict 'no premium no cover' basis", only cover for which payment has been received shall be booked. Hence, there should be no outstanding direct transactions. For brokered businesses, on the other hand, payment has to be made not later than 30 days after a credit note has been issued. In line with this guidelines, the Company uses the aging of receivables as the major parameter in calculating impairment.

2 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 director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

3 The Group sets the maximum amounts and limits that may be advances to corporate counterparties by reference to their long-term credit worthness.

4 The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

5 Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.

3.1.2 ***Financial risks management***

(a) *Credit risk*

Maximum exposure to credit risk

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

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

Maximum exposure to credit risk

In thousands of Nigerian Naira	Group		Company	
	Dec-17	Dec-16	Dec-17	Dec-16
Cash and cash equivalents	8,335,080	10,726,024	3,243,960	3,800,276
Loans and receivables	12,245,701	12,410,169	633,143	770,941
Held-to-maturity	16,840,317	8,214,636	4,457,954	2,030,905
Trade receivables	629,280	462,616	278,159	102,994
Reinsurance assets	1,875,018	274,994	564,810	98,580
Other receivables	148,841	106,617	252,834	50,109
Finance lease receivables	145,055	420,049	134,044	147,965
Statutory deposit	500,000	500,000	300,000	300,000
Deposit for investment in equity	480,588	460,588	410,588	390,588
	41,199,880	33,575,693	10,275,492	7,692,358

(a) *Credit risk - Continued*

Concentration of credit risk

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

in thousands of Nigerian Naira

31 December 2017	*Group*					*Company*				
	Financial	*Manufac turing*	*Oil & Gas sector*	*Public sector & Other*	*Total*	*Financial*	*Manufac turing*	*Oil & Gas sector*	*Public sector & Other*	*Total*
Cash and cash equivalents	8,335,080	-	-	-	8,335,080	3,243,960	-	-	-	3,243,960
Loans and advances	2,083,123	-	10,162,578	-	12,245,701	633,143	-	-	-	633,143
Held-to-maturity	16,840,317	-	-	-	16,840,317	4,457,954	-	-	-	4,457,954
Trade receivables	629,280	-	-	-	629,280	278,159	-	-	-	278,159
Reinsurance assets	1,875,018	-	-	-	1,875,018	564,810	-	-	-	564,810
Other receivables	24,510	-	-	124,331	148,841	33,215	-	-	219,619	252,834
Finance lease receivables	-	-	-	145,055	145,055	-	-	-	134,044	134,044
Statutory deposit	500,000	-	-	-	500,000	300,000	-	-	-	300,000
Deposit for invest. in equity	-	-	480,588	-	480,588	-	-	410,588	-	410,588
	30,287,328	-	10,643,166	269,386	41,199,880	9,511,241	-	410,588	353,663	10,275,492

in thousands of Nigerian Naira

31 December 2016	*Group*					*Company*				
	Financial	*Manufac turing*	*Oil & Gas sector*	*Public sector & Other*	*Total*	*Financial*	*Manufac turing*	*Oil & Gas sector*	*Public sector & Other*	*Total*
Cash and cash equivalents	10,726,024	-	-	-	10,726,024	3,800,276	-	-	-	3,800,276
Loans and advances	926,768	-	10,010,310	1,473,091	12,410,169	770,941	-	-	-	770,941
Held-to-maturity	8,214,636	-	-	-	8,214,636	2,030,905	-	-	-	2,030,905
Trade receivables	462,616	-	-	-	462,616	102,994	-	-	-	102,994
Reinsurance assets	274,994	-	-	-	274,994	98,580	-	-	-	98,580
Other receivables	-	-	-	106,617	106,617	50,109	-	-	-	50,109
Finance lease receivables	-	-	-	420,049	420,049	147,965	-	-	-	147,965
Statutory deposit	500,000	-	-	-	500,000	300,000	-	-	-	300,000
Deposit for invest. in equity	-	-	390,588	70,000	460,588	-	-	390,588	-	390,588
	21,105,038	-	10,400,898	2,069,757	33,575,693	7,301,770	-	390,588	-	7,692,358

(a) *Credit risk - Continued*

Credit quality

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

31 December 2017	*Group*					*Company*				
	Investment grade	***non Investment grade satisfactory***	***non Investment grade un-satisfactory***	***Past due but not impaired***	***Total***	***Investment grade***	***non Investment grade satisfactory***	***non Investment grade un-satisfactory***	***Past due but not impaired***	***Total***
Cash and cash equivalents	8,335,080	-	-	-	8,335,080	3,243,960	-	-	-	3,243,960
Loans and advances	12,245,701	-	-	-	12,245,701	633,143	-	-	-	633,143
Held-to-maturity	16,840,317	-	-	-	16,840,317	4,457,954				4,457,954
Trade receivables	629,280	-	-	-	629,280	278,159	-	-	-	278,159
Reinsurance assets	1,795,967	-	-	79,051	1,875,018	551,904	-	-	12,906	564,810
Other receivables	148,841	-	-	-	148,841	252,834	-	-	-	252,834
Finance lease receivables	145,055	-	-	-	145,055	134,044	-	-	-	134,044
Statutory deposit	500,000	-	-	-	500,000	300,000	-	-	-	300,000
Deposit for invest. in equity	480,588	-	-	-	480,588	410,588	-	-	-	410,588
	41,120,829	-	-	79,051	41,199,880	10,262,586	-	-	12,906	10,275,492

In thousands of Nigerian Naira

31 December 2016	*Group*					*Company*				
	Investment grade	***non Investment grade satisfactory***	***non Investment grade un-satisfactory***	***Past due but not impaired***	***Total***	***Investment grade***	***non Investment grade satisfactory***	***non Investment grade un-satisfactory***	***Past due but not impaired***	***Total***
Cash and cash equivalents	10,726,024	-	-	-	10,726,024	3,800,276	-	-	-	3,800,276
Loans and receivables	12,410,169	-	-	-	12,410,169	770,941	-	-	-	770,941
Held-to-maturity	8,214,636	-	-	-	8,214,636	2,030,905	-	-	-	2,030,905
Trade receivables	462,616	-	-	-	462,616	102,994	-	-	-	102,994
Reinsurance assets	206,246	-	-	68,749	274,994	83,793	-	-	14,787	98,580
Other receivables	106,617	-	-	-	106,617	50,109	-	-	-	50,109
Finance lease receivables	420,049	-	-	-	420,049	147,965	-	-	-	147,965
Statutory deposit	500,000	-	-	-	500,000	300,000	-	-	-	300,000
Deposit for invest. in equity	460,588	-	-	-	460,588	390,588	-	-	-	390,588
	33,506,945	-	-	68,749	33,575,693	7,677,571	-	-	14,787	7,692,358

(a) *Credit risk - Continued*

Age analysis of financial assets past due but not impaired

in thousands of Nigerian Naira

31 December 2016	Group				Company			
	< 30 days	31 to 60 days	> 61 days	Total past-due but not impaired	< 30 days	31 to 60 days	> 61 days	Total past-due but not impaired
Reinsurance assets	12,906	66,145	-	79,051	12,906	-	-	12,906
	12,906	66,145	-	79,051	12,906	-	-	12,906
31 December 2015								
Reinsurance assets	51,561	17,188	-	68,749	11,830	2,957	-	14,787
	51,561	17,188	-	68,749	11,830	2,957	-	14,787

Impaired financial assets
At 31 December 2017, there are impaired loans and receivables of ₦119,425,000 (2016: ₦29,118,000) and no impaired trade receivables (2016: Nil).

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Group records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is, as follows:

in thousands of Nigerian Naira

	Group		Company	
	Dec-17	Dec-16	Dec-17	Dec-16
At 1 January	29,118	62,553		
Charge for the year	90,307	-		
Amounts written off	-	(33,435)		
	119,425	**29,118**		

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained for securities lending and for cash purposes. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

(b) Liquidity risk - Continued

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 Company's investment policy requires that a reasonable percentage of the non-life portfolio be held in cash and cash equivalent; 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.

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

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

(b) Liquidity risk - Continued

Group

31 December 2017 *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	8,345,638	8,629,530	-	-	-	-	8,629,530
Loans and advances	12,245,702	1,240,955	1,991,269	12,378,745	1,077,969	-	16,688,938
Fair value through profit or loss	110,952	110,952	-	-	-	-	110,952
Held-to-maturity financial assets	16,840,317	3,826,085	13,781,486	1,118,182	-	-	18,725,754
Trade receivables	629,280	629,280	-	-	-	-	629,280
Reinsurance assets	2,090,435	1,875,018	-	-	-	215,417	2,090,435
Other receivables	320,980	320,980	-	-	-	-	320,980
Finance lease receivables	145,055	50,136	38,079	101,187	17,662	-	207,064
Statutory deposit	500,000	30,000	30,000	300,000	-	500,000	860,000
Total financial assets	41,228,359	16,712,937	15,840,833	13,898,114	1,095,631	715,417	48,262,933
Investment contract liabilities	26,564,221	7,001,183	7,001,183	13,941,714	536,165	-	28,480,246
Insurance contract liabilities	6,078,210	4,839,994	-	-	-	1,238,216	6,078,210
Trade payables	1,721,930	1,721,930	-	-	-	-	1,721,930
Other liabilities	544,501	544,501	-	-	-	-	544,501
Deposit liabilities	259,268	268,087	-	-	-	-	268,087
Borrowings	6,509,170	-	-	4,072,200	2,436,970	-	6,509,170
Total financial liabilities	41,677,300	14,375,696	7,001,183	18,013,914	2,973,135	1,238,216	43,602,144
Total liquidity gap	(448,941)	2,337,241	8,839,650	(4,115,799)	(1,877,505)	(522,799)	4,660,788

The need to match the medium to long term tenure of the Group's investment contract liabilities necessitated the high investment in the landed (investment) properties of ₦8.5 billion. Included in the investment properties are assets worth ₦6 billion that may be liquidated in the short to medium term to meet the financial obligations of the Group.

(b) Liquidity risk - Continued

Company

31 December 2017 *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	3,249,277	4,170,144	-	-	-	-	4,170,144
Loans and advances	633,143	130,264	130,695	389,595	225,628	-	876,183
Fair value through profit or loss	110,952	110,952	-	-	-	-	110,952
Held-to-maturity financial assets	4,457,954	652,726	3,830,736	391,120	-	-	4,874,582
Trade receivables	278,159	278,159	-	-	-	-	278,159
Reinsurance assets	743,587	564,810	-	-	-	178,777	743,587
Other receivables	316,435	316,435	-	-	-	-	316,435
Finance lease receivables	134,044	30,000	90,000	600,000	119,944	-	839,944
Statutory deposit	300,000	18,000	18,000	180,000	-	300,000	516,000
Total financial assets	10,223,551	6,271,490	4,069,432	1,560,715	345,572	478,777	12,725,986
Insurance contract liabilities	1,926,358	1,352,081	-	-	-	574,277	1,926,358
Trade payables	396,498	396,498	-	-	-	-	396,498
Other liabilities	142,130	142,130	-	-	-	-	142,130
Borrowings	6,509,170	-	-	4,072,200	2,436,970	-	6,509,170
Total financial liabilities	8,974,156	1,890,709	-	4,072,200	2,436,970	574,277	8,974,156
Total liquidity gap	1,249,395	4,380,781	4,069,432	(2,511,485)	(2,091,398)	(95,500)	3,751,830

The need to match the medium to long term tenure of the Company's investment contract liabilities necessitated the high investment in the landed (investment) properties of ₦8.5 billion. Included in the investment properties are assets worth ₦6 billion that may be liquidated in the short to medium term to meet the financial obligations of the Company.

(b) Liquidity risk - Continued

Group 31 December 2016 *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	10,734,374	12,344,530	-	-	-	-	12,344,530
Loans and advances	12,410,169	1,285,162	2,035,688	12,629,760	1,188,984	-	17,139,595
Fair value through profit or loss	64,097	64,097	-	-	-	-	64,097
Held-to-maturity financial assets	8,214,636	-	9,446,832	-	-	-	9,446,832
Trade receivables	462,616	462,616	-	-	-	-	462,616
Reinsurance assets	1,180,774	274,994	-	-	-	905,780	1,180,774
Other receivables	293,775	293,775	-	-	-	-	293,775
Finance lease receivables	420,049	213,900	200,590	111,696	-	-	526,186
Statutory deposit	500,000	27,500	27,500	275,000	-	500,000	830,000
Total financial assets	34,280,490	14,966,574	11,710,610	13,016,456	1,188,984	1,405,780	42,288,405
Investment contract liabilities	25,956,771	5,835,432	5,835,432	16,908,674	411,649	-	28,991,186
Insurance contract liabilities	3,865,911	2,587,230	-	-	-	1,278,681	3,865,911
Trade payables	477,342	477,342	-	-	-	-	477,342
Other liabilities	1,314,453	1,314,453	-	-	-	-	1,314,453
Deposit liabilities	203,845	234,422	-	-	-	-	234,422
Borrowings	6,258,070	-	-	3,904,800	2,353,270	-	6,258,070
Total financial liabilities	38,076,392	10,448,878	5,835,432	20,813,474	2,764,919	1,278,681	41,141,383
Total liquidity gap	(3,795,902)	4,517,696	5,875,178	(7,797,018)	(1,575,934)	127,099	1,147,021

The need to match the medium to long term tenure of the Group's investment contract liabilities necessitated the high investment in the landed (investment) properties of ₦8.7 billion. Included in the investment properties are assets worth ₦6.1 billion that may be liquidated in the short to medium term to meet the financial obligations of the Group.

(b) Liquidity risk - Continued

Company 31 December 2016 *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	3,804,953	4,375,696	-	-	-	-	4,375,696
Loans and advances	770,941	158,615	159,140	474,387	274,734	-	1,066,877
Fair value through profit or loss	64,097	64,097	-	-	-	-	64,097
Held-to-maturity financial assets	2,030,905	-	2,335,541	-	-	-	2,335,541
Trade receivables	102,994	102,994	-	-	-	-	102,994
Reinsurance assets	842,580	167,851	-	-	-	674,729	842,580
Other receivables	121,880	121,880	-	-	-	-	121,880
Finance lease receivables	147,965	47,929	34,619	111,696	19,496	-	213,739
Statutory deposit	300,000	16,500	16,500	165,000	-	300,000	498,000
Total financial assets	8,186,315	5,055,561	2,545,800	751,083	294,230	974,729	9,621,404
Insurance contract liabilities	1,709,183	1,152,571	-	-	-	556,612	1,709,183
Trade payables	358,995	358,995	-	-	-	-	358,995
Other liabilities	283,425	283,425	-	-	-	-	283,425
Borrowings	6,258,070	-	-	3,904,800	2,353,270	-	6,258,070
Total financial liabilities	8,609,673	1,794,991	-	3,904,800	2,353,270	556,612	8,609,673
Total liquidity gap	(423,358)	3,260,570	2,545,800	(3,153,717)	(2,059,040)	418,117	1,011,731

The need to match the medium to long term tenure of the Company's investment contract liabilities necessitated the high investment in the landed (investment) properties of ₦8.7 billion. Included in the investment properties are assets worth ₦6.1 billion that may be liquidated in the short to medium term to meet the financial obligations of the Company.

(c) Market 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 and Yen.

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 Assurance Plc 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 foreign borrowing.

Group	*31 December 2017*			*31 December 2016*		
in thousands of Nigerian Naira	*USD*	*EURO*	*Yen*	*USD*	*EURO*	*Yen*
Cash and cash equivalents	1,749,342	3,991	-	1,717,408	37,172	-
Borrowings	-	-	6,108,300	-	-	5,857,200
Outstanding claims	325,388	-	-	263,698	-	-

Company	*31 December 2017*			*31 December 2016*		
in thousands of Nigerian Naira	*USD*	*EURO*	*Yen*	*USD*	*EURO*	*Yen*
Cash and cash equivalents	1,607,337	3,991		1,623,683	37,172	
Borrowings	-	-	6,108,300	-	-	5,857,200
Outstanding claims	325,388	-	-	263,698	-	-

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

in thousands of Nigerian Naira		GROUP				COMPANY			
		31 DECEMBER 2017		31 DECEMBER 2016		31 DECEMBER 2017		31 DECEMBER 2016	
	Change in variables	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
USD	+10%	142,395	99,677	145,371	101,760	128,195	89,736	135,998	95,199
EURO	+10%	399	279	3,717	2,602	399	279	3,717	2,602
YEN	+10%	(610,830)	(427,581)	(585,720)	(410,004)	(610,830)	(427,581)	(585,720)	(410,004)
USD	-10%	(142,395)	(99,677)	(145,371)	(101,760)	(128,195)	(89,736)	(135,998)	(95,199)
EURO	-10%	(399)	(279)	(3,717)	(2,602)	(399)	(279)	(3,717)	(2,602)
YEN	-10%	610,830	427,581	585,720	410,004	610,830	427,581	585,720	410,004

(c) Market risk - Continued

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

Fixed interest rate instruments expose the Group to fair value interest risk. Group does no expose to cash flow interest risk.

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 Company 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 Company 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.

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.

3.2 Capital Management

Company

in thousands of Nigerian Naira	2017	2016
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	5,466,843	4,810,735
Regulatory adjustments	(150,290)	95,044
Available capital resources	5,316,553	4,905,779
Minumum capital based required by regulator	3,000,000	3,000,000
Excess in solvency margin	2,316,553	1,905,779

The Solvency Margin for the parent as at 31 December 2017 is as follows:

in thousands of Nigerian Naira	2017	2016
Admissible assets		
Cash and cash equivalents	3,045,348	3,804,953
Available-for-sale investment securities	21,553	21,553
Fair value through profit or loss	110,952	64,097
Loans and receivables	633,143	455,281
Held-to-maturity financial assets	4,366,454	2,030,905
Assets pledged as collateral	168,064	91,188
Trade receivables	278,159	102,994
Reinsurance assets	1,086,826	1,057,693
Deferred acquisition cost	312,182	235,053
Finance lease receivables	134,044	147,965
Investment properties	56,000	56,000
Investment in subsidiaries	4,000,000	4,000,000
Deposit for shares	410,588	390,588
Property, plant and equipment	2,925,601	3,152,644
Intangible assets	15,387	33,305
Statutory deposit	300,000	300,000
Total	17,864,301	15,944,219
Admissible liabilities		
Insurance contract liabilities	4,352,606	3,822,730
Borrowings	6,509,170	6,258,070
Trade payables	1,028,272	452,495
Other liabilities	235,695	287,412
Current income tax liabilities	422,005	217,733
Total	12,547,748	11,038,440
Solvency margin	5,316,553	4,905,779
The higher of 15% of Net premium income and minimum Share capital requirement	3,000,000	3,000,000

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:

3.3 Asset and Liability Management - Continued

The table below hypothecates the total assets of the Company into assets that represents insurance funds and shareholders' funds:

	DEC 2017			DEC 2016		
in thousands of Nigerian Naira	Carrying amount	Insurance contract	Shareholders fund	Carrying amount	Insurance contract	Shareholders fund
ASSETS						
Cash and cash equivalents	3,249,277	2,832,856	416,421	3,804,953	2,897,096	907,857
Available-for-sale investment securities	21,553	-	21,553	21,553	-	21,553
Fair value through profit or loss	110,952	110,952	-	64,097	64,097	-
Loans and receivables	633,143	-	633,143	770,941	-	770,941
Held-to-maturity financial assets	4,457,954	2,759,756	1,698,198	2,030,905	1,050,090	980,815
Assets pledged as collateral	168,064	-	168,064	91,188	-	91,188
Trade receivables	278,159	278,159	-	102,994	102,994	-
Reinsurance assets	1,086,826	1,086,826	-	1,057,693	1,057,693	-
Other receivables and prepayments	560,682	-	560,682	319,213	-	319,213
Deferred acquisition cost	312,182	-	312,182	235,053	-	235,053
Finance lease receivables	134,044	134,044	-	147,965	147,965	-
Investment property	56,000	-	56,000	56,000	-	56,000
Investment in subsidiaries	4,000,000	-	4,000,000	4,000,000	-	4,000,000
Intangible assets	15,387	-	15,387	33,305	-	33,305
Property, plants and equipment	2,925,601	-	2,925,601	3,152,644	-	3,152,644
Statutory deposit	300,000	-	300,000	300,000	-	300,000
Deposit for shares	410,588	-	410,588	390,588	-	390,588
Total assets	18,720,412	7,202,593	11,517,819	16,579,092	5,319,935	11,259,157
Liabilities						
Insurance contract liabilities	4,352,606	4,352,606	-	3,822,730	3,822,730	-
Trade payables	1,028,272	1,028,272	-	452,495	452,495	-
Other liabilities	235,695	-	235,695	287,412	-	287,412
Borrowings	6,509,170	-	6,509,170	6,258,070	-	6,258,070
Current income tax liabilities	422,005	-	422,005	217,733	-	217,733
Deferred tax liability	705,821	-	705,821	729,917	-	729,917
Total liabilities	13,253,569	5,380,878	7,872,691	11,768,357	4,275,225	7,493,132
GAP	5,466,843	1,821,715	3,645,128	4,810,735	1,044,710	3,766,025

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 2017 *in thousands of Nigerian Naira*	Note	Group Loans & receivables	Group Fair value TPL	Group Fair value	Company Loans & receivables	Company Fair value TPL	Company Fair value
Quoted equities	23.2	-	110,952	110,952	-	110,952	110,952
Loans and advances	23.3	12,245,702	-	12,245,702	633,143	-	633,143
Finance lease receivables	29	145,055	-	145,055	134,044	-	134,044
		12,390,757	110,952	12,501,709	767,187	110,952	878,139

31 December 2016 *in thousands of Nigerian Naira*	Note	Group Loans & receivables	Group Fair value TPL	Group Fair value	Company Loans & receivables	Company Fair value TPL	Company Fair value
Quoted equities	23.2	-	64,097	64,097	-	64,097	64,097
Loans and advances	23.3	12,410,169	-	12,816,291	770,941	-	778,650
Finance lease receivables	29	420,049	-	434,416	147,965	-	150,924
		12,830,218	64,097	13,314,804	918,906	64,097	993,671

3.5 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed under note 2.3.12.

The fair values of financial assets and liabilities that are traded inactive 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.

3.5 Fair value hierarchy - Coutinued

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 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 or available for sale. If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. The group measure its available-sale instrument at costs.

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.

31 December 2017	Group				Company			
in thousands of Nigerian Naira	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Quoted equities	110,952	-	-	110,952	110,952	-	-	110,952
Loans and advances	-	-	12,245,702	12,245,702	-	-	633,143	633,143
Held-to-maturity	-	16,840,317	-	16,840,317	-	4,457,954	-	4,457,954
Finance lease receivables	-	-	145,055	145,055	-	-	134,044	134,044
	-	16,840,317	12,390,757	29,231,074	-	4,457,954	767,187	5,225,141
31 December 2016								
Quoted equities	64,097	-	-	64,097	64,097	-	-	64,097
Loans and advances	-	-	12,876,291	12,876,291	-	-	778,650	778,650
Held-to-maturity	-	8,214,636	-	8,214,636	-	2,030,905	-	2,030,905
Finance lease receivables	-	-	434,416	434,416	-	-	150,924	150,924
	-	8,214,636	13,310,707	21,525,343	-	2,030,905	929,575	2,960,480

3.5 Fair value hierarchy - Coutinued

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

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

		Group				Company			
in thousands of Nigerian Naira		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment property	31 Dec 2017	-	-	8,566,000	8,566,000	-	-	56,000	56,000
Building	31 Dec 2017	-	-	1,450,000	1,450,000	-	-	1,450,000	1,450,000
Land	31 Dec 2017	-	-	339,282	339,282	-	-	-	-
Investment property	31 Dec 2016	-	-	8,726,390	8,726,390	-	-	56,000	56,000

During the reporting year ended 31 December 2017, there were no transfers between level 1 and level 2 and in and out of level 3.

The Company's land and building at Aret Adams House were professionally valued on 19 January 2018 by Alabi, Ojo & Makinde Estate Surveyors and Valuers (FRC/2015/NIESV/00000010800). The valuation which was based on open market value between a willing buyer and a willing seller produced a surplus amount of ₦72,617,000 which has been credited to the property, plant and equipment revaluation account. As a result of the valuation, the revised value of the properties as at 31 December 2017 was ₦1,450,000,000.

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:

i **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 covers 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.

iii **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.

iv **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.

3.6 Segment information

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments for the year ended 31 December 2017 is as follows:

	Assurance business				Real estate	Microfinance		
Group *in thousands of Nigerian Naira*	Mutual Plc Nigeria	Mutual Ltd Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
Cash and cash equivalents	3,249,277	4,151,584	833,814	187,844	3,774	132,772	(213,427)	8,345,638
Available-for-sale investment securities	21,553	726,472	-	111,500	-	-	(10,000)	849,524
Fair value through profit or loss	110,952	-	-	-	-	-	-	110,952
Loans and receivables	633,143	10,854,661	-	805,883	-	591,442	(639,428)	12,245,702
Held-to-maturity	4,457,954	12,382,363	-	-	-	-	-	16,840,317
Assets pledged as collateral	168,064	-	-	-	-	-	-	168,064
Trade receivables	278,159	-	208,046	143,075	-	-	-	629,280
Reinsurance assets	1,086,826	1,070,169	298,735	-	-	-	-	2,455,731
Other receivables	560,682	439,538	17,145	123,055	59,079	19,161	(225,478)	993,182
Deferred acquisition cost	312,182	173,101	-	-	-	-	-	485,283
Finance lease receivables	134,044	11,011	-	-	-	-	-	145,055
Inventories	-	-	-	-	907,822	-	-	907,822
Investment properties	56,000	8,510,000	-	-	-	-	-	8,566,000
Investment in subsidiaries	4,000,000	896,981	-	-	-	-	(4,896,981)	-
Intangible assets	15,387	1,751	20,940	-	-	5,916	-	43,994
Property, plants and equipment	2,925,601	364,573	398,215	207,937	118	26,488	-	3,922,931
Statutory deposit	300,000	200,000	-	-	-	-	-	500,000
Deposit for shares	410,588	70,000	-	-	-	-	-	480,588
Goodwill	-	-	-	-	-	-	1,543	1,543
Total assets	18,720,412	39,852,204	1,776,895	1,579,294	970,793	775,779	(5,983,771)	57,691,606

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 2017 is as follows:

	Assurance business				Real estate	Microfinance		
Group *in thousands of Nigerian Naira*	Mutual Plc Nigeria	Mutual Ltd Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
Gross premium written	7,298,974	4,963,517	1,104,126	671,262	-	-	-	14,037,879
Gross premiums income	6,986,273	4,637,470	1,057,955	671,262	-	-	-	13,352,960
Premiums ceded to reinsurers	(1,046,287)	(761,363)	(78,004)	-	-	-	-	(1,885,655)
Net premiums income	5,939,986	3,876,107	979,951	671,262	-	-	-	11,467,305
Fee and commission income	142,249	166,109	1,287	-	-	-	(1)	309,646
Net underwriting income	6,082,235	4,042,216	981,238	671,262	-	-	(1)	11,776,951
Net benefits and claims	1,914,071	2,592,489	346,707	300,938	-	-	-	5,154,205
Increase in individual life fund	-	(4,270)	-	-	-	-	-	(4,270)
Increase in annuity reserve	-	(22,252)	-	-	-	-	-	(22,252)
Underwriting expenses	1,621,939	1,136,011	134,488	52,163	-	-	(1)	2,944,601
Net underwriting expenses	3,536,010	3,701,978	481,196	353,101	-	-	(1)	8,072,284
Underwriting profit	2,546,225	340,238	500,042	318,162	-	-	-	3,704,667
Profit on investment contracts	-	955,472	-	-	-	-	(63,573)	891,899
Investment income	896,167	646,222	27,998	26,877	-	-	-	1,597,262
Net fair value gain/(loss) on assets at FVTPL	123,731	(85,390)	-	-	-	-	-	38,341
Other income	38,312	303,148	33,332	-	46,189	56,667	-	477,649
Impairment charge no longer required	-	2,011	-	-	-	-	-	2,011
Impairment charges	-	(78,830)	-	-	-	(90,307)	-	(169,137)
Employees benefit expenses	(846,284)	(747,233)	(98,181)	(113,592)	(3,300)	(131,219)	-	(1,939,809)
Other management expenses & FX gain	(1,909,060)	(988,831)	(259,031)	(226,522)	(2,923)	(106,134)	63,574	(3,428,928)
Result of operating activities	849,091	346,807	204,160	4,925	39,966	(270,993)	1	1,173,955
Finance costs	-	-	-	-	-	(27,681)	(11,751)	(39,432)
Finance incomes	-	-	-	-	-	154,985	45,585	200,570
Profit before income tax	849,091	346,807	204,160	4,925	39,966	(143,688)	33,835	1,335,093
Income tax (expenses)/benefit	(243,815)	(31,950)	(63,447)	(1,233)	(3,662)	358	31,164	(312,585)
Profit for the year	605,276	314,857	140,713	3,692	36,304	(143,330)	64,999	1,022,508
Profit attributable to:								
Owners of the parent	605,276	314,857	129,456	3,507	36,304	(117,916)	64,996	1,036,481
Non-controlling interests	-	-	11,257	185	-	(25,415)	-	(13,973)
	605,276	314,857	140,713	3,692	36,304	(143,330)	64,996	1,022,508

3.6 Segment information - Continued

Group	Assurance business				Real estate	Microfinance		
in thousands of Nigerian Naira	Mutual Plc Nigeria	Mutual Ltd Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
LIABILITIES								
Insurance contract liabilities	3,822,730	3,210,013	227,786	333,677	-	-	(192,335)	7,401,872
Investment contract liabilities	-	25,944,127	-	12,644	-	-	-	25,956,771
Trade payables	452,495	52,100	1,730	18,381	-	-	745,512	1,270,219
Other liabilities	287,412	1,405,596	277,125	141,773	317,531	51,102	(769,543)	1,710,996
Deposit liabilities	-	-	-	-	-	203,845	-	203,845
Borrowings	6,258,070	-	-	-	1,050,496	-	(1,050,496)	6,258,070
Current income tax liabilities	217,733	215,791	12,779	-	41,328	16,212	-	503,843
Deferred tax liabilities	729,917	58,046	-	-	92,197	6,542	260,726	1,147,429
Total liabilities	11,768,357	30,885,673	519,420	506,476	1,501,553	277,701	(1,006,136)	44,453,045
EQUITY								
Share capital	4,000,000	250,000	330,000	488,421	20,000	250,000	(1,338,421)	4,000,000
Treasury shares	(250)	-	-	-	-	-	-	(250)
Share premium	-	3,750,000	-	-	-	-	(3,750,000)	-
Foreign currency transalation reserve	-	-	206,667	709,976	-	-	(10,141)	906,502
Contingency reserve	2,179,515	353,645	-	-	-	-	-	2,533,160
Revaluation reserve	1,288,563	-	-	-	-	-	-	1,288,563
Accumulated losses	(2,657,093)	937,445	68,195	(46,865)	(83,077)	(28,591)	(28,828)	(1,838,814)
Shareholders fund	4,810,735	5,291,090	604,862	1,151,532	(63,077)	221,409	(5,127,390)	6,889,161
Owners of the parent	4,810,735	5,291,090	604,862	1,151,532	(63,077)	221,409	(5,127,390)	6,889,161
Non-controlling interests in equity	-	-	34,626	33,380	-	55,602	-	123,607
Total equity	4,810,735	5,291,090	639,488	1,184,912	(63,077)	277,011	(5,127,390)	7,012,768
Total liabilities and equity	16,579,092	36,176,763	1,158,908	1,691,388	1,438,476	554,711	(6,133,526)	51,465,813

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 2016 is as follows:

	Assurance business				Real estate	Microfinance		
Group *in thousands of Nigerian Naira*	Mutual Plc Nigeria	Mutual Ltd Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance	Elimination adjustment	Total
Gross premium written	6,586,846	4,351,455	661,835	543,473	-	-	-	12,143,610
Gross premiums income	6,660,747	4,123,068	655,247	543,473	-	-	-	11,982,537
Premiums ceded to reinsurers	(1,515,476)	(173,181)	(22,452)	-	-	-	-	(1,711,110)
Net premiums income	5,145,271	3,949,887	632,795	543,473	-	-	-	10,271,427
Fee and commission income	312,481	116,754	1,287	-	-	-	-	430,522
Net underwriting income	5,457,752	4,066,641	634,082	543,473	-	-	-	10,701,949
Net benefits and claims	1,004,168	1,850,262	176,073	318,381	-	-	-	3,348,883
Increase in individual life fund	-	(161,532)	-	-	-	-	-	(161,532)
Increase in annuity reserve	-	354,038	-	-	-	-	-	354,038
Underwriting expenses	1,581,501	1,244,671	97,686	56,565	-	-	(7,891)	2,972,533
Net underwriting expenses	2,585,669	3,287,439	273,760	374,946	-	-	(7,891)	6,513,922
Underwriting profit	2,872,083	779,202	360,323	168,527	-	-	7,891	4,188,027
Profit on investment contracts	-	819,092	-	-	-	-	(263,626)	555,466
Investment income	560,027	492,251	11,134	25,373	-	-	(109,020)	979,765
Net fair value gain on assets at FVTPL	(53,475)	(5,275)	-	-	-	-	-	(58,750)
Other income	93,715	45,516	1,122	81,285	30,411	39,194	(33,758)	257,485
Impairment charge no longer required	28,247	-	-	-	-	33,435	-	61,682
Impairment charges	-	(10,574)	-	-	-	-	-	(10,574)
Employees benefit expenses	(931,921)	(727,912)	(72,831)	(70,964)	(2,794)	(108,184)	-	(1,914,606)
Other management expenses & FX Loss	(3,817,622)	(1,235,439)	(162,385)	(180,837)	(15,031)	(111,942)	268,791	(5,254,465)
Result of operating activities	(1,248,946)	156,861	137,362	23,385	12,586	(147,497)	(129,722)	(1,195,970)
Finance costs	-	-	-	-	-	(27,681)	-	(27,681)
Finance incomes	-	-	-	-	-	154,985	-	154,985
Profit before income tax	(1,248,946)	156,861	137,362	23,385	12,586	(20,192)	(129,722)	(1,068,666)
Income tax (expenses)/benefit	(141,581)	(86,767)	(44,697)	(913)	(4,073)	411	-	(277,620)
Profit for the year	(1,390,527)	70,094	92,664	22,473	8,513	(19,781)	(129,722)	(1,346,286)
Profit attributable to:								
Owners of the parent	(1,390,527)	70,094	85,252	21,349	8,513	(15,825)	(129,722)	(1,350,866)
Non-controlling interests	-	-	7,413	1,124	-	(3,956)	-	4,580
Loss after tax	(1,390,527)	70,094	92,664	22,473	8,513	(19,781)	(129,722)	(1,346,286)

4 **Gross premium income**

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
4.1 Gross premium written					
Non-life		8,840,857	7,615,657	7,298,974	6,586,846
Life (Group life and individual life)		5,197,022	4,217,078	-	-
Annuity		-	310,875	-	-
		14,037,879	12,143,610	7,298,974	6,586,846
Changes in unearned premium					
Non-life		(358,873)	67,314	(312,701)	73,901
Life (Group life and individual life)		(326,046)	(228,387)	-	-
		(684,919)	(161,073)	(312,701)	73,901
Gross premium income		13,352,960	11,982,537	6,986,273	6,660,747
4.2 Premiums ceded to reinsurers					
Outward premium - Non life		1,252,418	1,197,141	1,174,413	1,174,688
Outward premium - life		761,363	173,181	-	-
Changes in prepaid re-insurance		(128,126)	340,788	(128,126)	340,788
		1,885,655	1,711,110	1,046,287	1,515,476
4.3 Net premium income		11,467,305	10,271,427	5,939,986	5,145,271
5 Fees and commission income					
Commission received from reinsurance		94,919	223,499	142,249	105,458
Commission received from co-insurance		214,727	207,023	-	207,023
		309,646	430,522	142,249	312,481
6 Net benefits and claims					
Claims paid		4,870,058	3,220,168	2,038,841	1,487,493
Change in outstanding claims		1,864,309	870,474	217,274	(74,536)
Claims recoveries		(2,270,525)	(406,640)	(837,996)	(253,039)
Change in outstanding claims - Reinsurers		690,363	(335,119)	495,952	(155,750)
		5,154,205	3,348,883	1,914,071	1,004,168
7 Underwriting expenses					
Amortisation of deferred acquisition costs	28.1	1,622,654	1,530,788	1,104,691	1,101,947
Maintenance costs	7.1	1,321,947	1,441,745	517,248	479,554
		2,944,601	2,972,533	1,621,939	1,581,501

7.1 Maintenance costs

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Agency expenses on vehicle insurance business		54,781	51,419	54,781	51,419
Tracking expenses on insured vehicles		156,492	143,936	156,492	143,936
Agency expenses on travel insurance business		153,035	157,151	153,035	157,151
Administrative charges-Group Life		5,858	6,435	-	-
Agency allowance		155,738	151,641	25,480	21,144
Agency training		6,319	21,855	-	-
Transport & Travelling-Corporate		62,648	76,202	-	-
Superintending and surveyors fees		91,200	74,456	91,200	74,456
Actuary valuation report fee		3,700	5,288	2,100	2,188
Stamp duty expenses		2,336	2,415	-	-
Training and Forum for marketers		194,153	167,013	-	-
Agency unit manager allowance		194,183	217,797	-	-
Business promotion expenses		-	26,269	-	-
Value added tax		71,508	-	-	-
Underwriting medical expenses		2,758	5,094	-	-
Marketing expenses		167,238	334,774	34,160	29,260
		1,321,947	1,441,745	517,248	479,554

8 Profit on investment contracts

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Interest income	3,280,959	2,890,406	-	-
Rental income on Alpha Court	80,011	94,039		
Investment related expenses	(63,573)	(250,033)		
Surrender fee	514,648	314,785	-	-
Guaranteed interest	(2,041,115)	(1,628,443)	-	-
Acquisition cost on investment policies	(879,031)	(865,288)	-	-
	891,899	555,466	-	-

9 Investment income

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Interest income on loans and advances	34,203	34,657	23,404	21,065
Dividend income	202	35,948	202	35,948
Interest income on fixed term deposit	518,968	428,028	311,696	216,162
Interest income on statutory deposit	75,422	56,641	45,253	30,634
Interest income on lease	31,795	77,092	14,800	57,833
Interest from current accounts with banks	5,229	3,306	719	1,356
Interest income from treasury bills	910,829	332,303	479,478	185,239
Rental income	20,614	11,790	20,615	11,790
	1,597,262	979,765	896,167	560,027

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
Fair value gain/(loss) on financial assets through profit or loss	23.2	46,855	(29,366)	46,855	(29,366)
Fair value gain/(loss) on pledged assets	24	76,876	(24,109)	76,876	(24,109)
Fair value loss in investment property	31	(85,390)	(5,275)	-	-
		38,341	(58,750)	123,731	(53,475)

11 Other income

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Profit on sale of property and equipment	8,000	16,643	1,895	13,600
Bank charges income	-	598	-	-
Net income from sale of properties	39,958	90	-	-
Micro finance fees and commission	47,473	13,115	-	-
Default charges	5,371	19,763	-	-
Commission on turnover	3,822	5,718	-	-
Others	20,796	38,184	-	-
Insurance claim received	254	1,251	254	1,251
Release of expired deposit premiums	286,734	-	-	17,321
Sundry income	36,165	78,865	36,163	61,543
Income from logistics activities	-	81,285	-	-
Net foreign exchange gain	29,076	1,973	-	-
	477,649	257,485	38,312	93,715

12 Impairment charge no longer required

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
Other receivables	27.5	2,011	-	-	-
Trade receivables	12.1	-	28,247	-	28,247
Loans and advances		-	33,435	-	-
		2,011	61,682	-	28,247

12.1 This represents amount received on premium receivable that had been impaired in the previous year.

13 Impairment charges

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
Loans and advances	23.3.2	90,307	-	-	-
Finance lease receivables	29	78,830	-	-	-
Other assets and receivables	27	-	10,574	-	-
		169,137	10,574	-	-

14 Employee benefit expenses

Wages and salaries	1,721,123	1,788,157	660,896	841,173
Defined contribution pension costs	218,686	126,449	185,388	90,748
	1,939,809	1,914,606	846,284	931,921

In accordance with Pension Reform Act 2014, the Group contributes 10% each of the qualifying staff's salary (Basic, transport, and housing), whilst the employees contribute 8%. The contributions are recognised as employee benefits expense as and when due.

15 Management expenses

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Depreciation of property, plant and equipm	34	699,713	648,442	451,418	398,898
Repairs and maintainance		431,150	308,947	123,641	71,075
Directors fee and allowance		358,577	391,090	277,074	286,993
Legal and consultancy fees		313,733	462,585	174,465	261,324
Training and recruitment		305,922	304,981	286,991	293,970
Rents and Rates		148,989	142,307	34,134	16,286
Transport and travelling		141,656	122,380	97,778	89,780
Insurance supervisory fee		117,145	127,072	40,339	45,651
Bank charges		106,244	122,700	29,005	45,055
Public relations and advertising		105,486	114,704	66,414	68,520
Medical expenses		81,506	29,635	51,382	8,743
Motor vehicle running expenses		68,994	63,165	19,508	29,871
Telecommunication expenses		64,265	86,306	20,501	49,596
Other expenses		56,224	58,257	5,701	19,538
Amortisation of intangible assets	33	54,986	46,705	31,651	33,629
Business enternainments		44,673	40,010	26,721	27,999
Utilities		39,643	30,463	33,207	23,928
Printing and stationery		38,323	42,050	14,212	19,597
Donations		36,449	24,420	12,835	4,188
Auditors' remunerations		33,547	34,002	15,000	13,650
Insurance		33,451	44,139	23,542	32,113
Security expenses		23,780	26,535	14,386	10,180
Subscriptions		22,111	22,526	11,607	11,655
Conference and seminar expenses		17,300	31,150	17,300	31,150
Fines and penalties		32,027	-	31,425	-
Newspapers and periodicals		882	880	665	356
Bad debt written off		-	38,681	-	-
Loss on disposal of property, plant & equipment		440	213	-	-
		3,451,213	3,364,345	1,931,345	1,893,745

16 Net foreign exchange gain/(loss)

	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Exchange gain on foreign bank balances		273,385	294,855	273,385	261,098
Exchange loss on foreign loan	43.1	(251,100)	(2,184,975)	(251,100)	(2,184,975)
		22,285	(1,890,120)	22,285	(1,923,877)

The exchange loss on foreign loan represents the impact of translation of 2,250,000,000 Japanese Yen (JPY) due to Daewoo Securities (Europe) Limited as at 31 December 2017 to the Company's funtional currency (NGN) at the reporting date.To hedge against future exchange losses that may arise on conversion of foreign currency denominated loan balances, the Group has started investing a proportion of its financial assets in foreign currency.

17 Finance costs

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	2017	2016	2017	2016
Interest charge on deposits		38,225	26,066	-	-
Other charges		1,207	1,615	-	-
		39,432	27,681	-	-

18 Finance income

Interest income on Micro loans		198,111	131,295	-	-
Interest on Eazy cash product		-	7	-	-
Interest income on overdraft		2,459	16,300	-	-
Interest income on treasury bills		-	3,359	-	-
Income from funds placement		-	4,024	-	-
		200,570	154,985	-	-

19 Income tax expense

19.1 Current income tax charge

Company income tax		69,387	165,764	-	117,263
Education tax		15,200	15,921	11,516	15,343
Information technology tax		9,432	1,569	8,727	-
Minimum tax		324,697	83,015	269,454	-
Total current income tax expense	44	418,716	266,270	289,697	132,607

19.2 Deferred tax

Relating to origination and reversal of temporary differences		(106,131)	11,350	(45,882)	8,974
Total current income tax expense		(106,131)	11,350	(45,882)	8,974
Total income tax expenses		312,585	277,620	243,815	141,581

19.3 Reconciliation of tax charge

Profit before income tax		1,335,093	(1,068,666)	849,091	(1,248,946)
Tax at Nigerian's statutory income tax rate of 30% (2014: 30%)		400,528	(320,600)	254,727	(374,684)
Effect of:					
Tax exempt income		(713,411)	(645,912)	(478,445)	(185,454)
Expenses not deductible for tax purposes		259,059	1,142,571	177,836	686,375
Tax rate differential on fair value loss		17,078	1,055	-	-
Information technology tax		9,432	1,569	8,727	-
Education tax		15,200	15,921	11,516	15,343
Mininum tax		324,697	83,015	269,454	-
		312,583	277,620	243,815	141,581

20 Dividends proposed

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Proposed for approval at AGM (not recognised as a liability as equity dividends on ordinary shares at 31 December)		160,000	-	160,000	-
Proposed dividend for 2017: ₦0.02 (2016: Nil)		160,000	-	160,000	-

21 **Earnings/(loss) per share**

21.1 *Earnings/(loss) per share - Basic*

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

in thousands of Nigerian Naira	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Profit/(loss) attributable to equity holders from continuing operation		1,036,481	(1,350,866)	605,276	(1,390,527)
Weighted average number of ordinary shares for basic earnings per share	21.2	7,999,500	7,999,500	7,999,500	7,999,500
Basic earnings per ordinary share (kobo)		13	(17)	8	(17)

21.2 *Weighted average number of ordinary shares - basic*

Issued ordinary shares at 1 January	8,000,000	8,000,000	8,000,000	8,000,000
Effect of treasury shares held	(500)	(500)	(500)	(500)
As at 31 December	7,999,500	7,999,500	7,999,500	7,999,500

21.3 *Earnings per share- Diluted*

The calculation of diluted earnings per share has been based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

The company has no potential dilutive ordinary shares during the year (2016: Nil). Hence, the weighted average number of ordinary shares for basic and dilutive is the same so also the Dilutive and Basic earnings per share.

22 Cash and cash equivalents

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Cash on hand		10,558	8,350	5,317	4,677
Cash in banks		1,709,604	3,058,422	226,019	446,765
Short-term deposits	22.1	6,625,476	6,860,196	3,017,941	2,965,877
Treasury bills with original maturity of less than 90days		-	807,406	-	387,634
		8,345,638	10,734,374	3,249,277	3,804,953

22.1 *Short-term deposits*

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 11% per annum (2016: 11%).

For the purpose of the statement of cash flows, the cash and cash equivalents comprise balances with maturity of three months or less.

23 Financial assets

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Available-for-sale investment securities	23.1	849,524	849,374	21,553	21,553
Fair value through profit or loss	23.2	110,952	64,097	110,952	64,097
Loans and receivables	23.3	12,245,701	12,410,169	633,143	770,941
Held-to-maturity	23.4	16,840,317	8,214,636	4,457,954	2,030,905
		30,046,494	21,538,276	5,223,602	2,887,496
Current		20,243,769	9,398,657	5,057,563	282,284
Non-current		12,139,620	12,139,620	166,039	2,605,212
		30,046,494	21,538,276	5,223,602	2,887,496

The Group's available-for-sale financial assets are carried at cost less allowance for impairment (if any) as there were no reliable observable data to determine their fair values at the reporting date.

23.1 Available-for-sale investment securities

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Unquoted investments	23.1.1	1,021,879	1,021,729	193,908	193,908
Allowance for impairment	23.1.3	(172,355)	(172,355)	(172,355)	(172,355)
		849,524	849,374	21,553	21,553

23.1.1 *Analysis of investments in unlisted entities*

Empire Aviation Limited	122,355	122,355	122,355	122,355
Global Haulage Limited	50,000	50,000	50,000	50,000
Mutual Model Transport Limited (MMTL)	1,000	1,000	1,000	1,000
ICHL Limited	316,471	316,471	-	-
Motor Way Assets Limited	330,000	330,000	-	-
Avanage Nigeria Limited	70,000	70,000	-	-
Leasing Company of Liberia	61,100	60,950	-	-
WAICA Reinsurance Corporation Plc	20,553	20,553	20,553	20,553
Other investments	50,400	50,400	-	-
	1,021,879	1,021,729	193,908	193,908

23.1.2 *Movement in unlisted entities*

At 1 January	1,021,729	966,391	193,908	173,355
Additions during the year	-	20,553	-	20,553
Transfer from deposit for shares	-	70,000	-	-
Foreign exchange translation reserves	150	(35,215)	-	-
At 31 December	1,021,879	1,021,729	193,908	193,908

23.1.3 *Analysis of impaired unlisted investments*

Empire Aviation Limited	122,355	122,355	122,355	122,355
Global Haulage Limited	50,000	50,000	50,000	50,000
	172,355	172,355	172,355	172,355

23.1.4 *The movement in impairment*

At 1 January	172,355	272,355	172,355	172,355
During the year	-	-	-	-
At 31 December	172,355	172,355	172,355	172,355

23.2 Investment securities - fair value through profit or loss

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Quoted shares		110,952	64,097	110,952	64,097
Movement in listed entities					
At 1 January		64,097	93,463	64,097	93,463
Fair value gain/(loss)		46,855	(29,366)	46,855	(29,366)
At 31 December		110,952	64,097	110,952	64,097

23.2.1 *Analysis of investments in listed entities*

Africa Prudential Registrars Plc	363	262	363	262
Access Bank of Nigeria Plc	941	529	941	529
Cadbury Plc	5,730	3,762	5,730	3,762
Costain West Africa Plc	100	-	100	-
Diamond Bank Plc	1,860	1,091	1,860	1,091
Ecobank Transnational Inc	5,960	3,604	5,960	3,604
First Bank Holdings Plc	18,392	7,002	18,392	7,002
First City Monument Bank Plc	7,605	5,652	7,605	5,652
Guaranty Trust Bank Plc	9,428	5,715	9,428	5,715
Sterling Bank Plc	13,552	9,536	13,552	9,536
United Bank for Africa Plc	29,218	12,765	29,218	12,765
UBA Capital Plc	1,214	939	1,214	939
Unity Bank Plc	309	321	309	321
Universal Insurance Company Plc	2,500	2,500	2,500	2,500
Wema Bank Plc	52	54	52	54
Lafarge WAPCO Plc	7,309	6,668	7,309	6,668
West African Provincial Insurance Plc	9	9	9	9
Zenith International Bank Plc	6,410	3,688	6,410	3,688
	110,952	64,097	110,952	64,097

23.3 Loans and advances

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Term loans		11,470,177	11,809,226	205,000	315,660
Overdrafts		370,304	18,953		
Staff loans		524,646	611,108	428,143	455,281
Gross loans and advances		12,365,127	12,439,287	633,143	770,941
Allowance for individual impairment	23.3.2	(119,425)	(29,118)	-	-
Allowance for collective impairment	23.3.2	-	-	-	-
		12,245,702	12,410,169	633,143	770,941
Current		3,292,500	3,214,926	488,657	282,284
Non-current		8,953,202	9,195,243	144,486	488,657
		12,245,702	12,410,169	633,143	770,941

23.3.1 The Company granted loans to staff, related companies and third parties for income generation, the break down of loans and recievables granted are as stated below:

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Prime Exploration and Production Limited		10,162,578	10,010,310	-	-
Mutual Homes and Properties Limited		-	-	-	-
Staff mortgage loan		205,000	305,000	205,000	305,000
Others		1,102,599	1,493,916	-	10,660
Gross loans and advances		11,470,177	11,809,226	205,000	315,660

23.3.2 Impairment on loans and advances

allowance for specific impairment					
Balance, begining of the year		29,118	62,553	-	-
Impairment charged for the year	13	90,307	-	-	-
Write-offs		-	(33,435)	-	-
Balance, end of the year		119,425	29,118	-	-

23.3.2 *Credit quality of loans and advances is summarised as follows:*

Neither past due nor impaired	12,245,702	12,410,169	633,143	770,941
Past due but not impaired	-	-	-	-
Individually impaired	119,425	29,118	-	-
Gross	12,365,127	12,439,287	633,143	770,941
Less: allowance for impairment	(119,425)	(29,118)	-	-
Net balance	12,245,702	12,410,169	633,143	770,941

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

in thousands of Nigerian Naira	GROUP Loans to individuals	GROUP Loans to corporate	COMPANY Loans to individuals	COMPANY Loans to corporate
31 December 2017				
Gross	730,298	11,634,829	428,143	205,000
Allowance for impairment	-	(119,425)	-	-
Net Balance	730,298	11,515,404	428,143	205,000
31 December 2016				
Gross	806,928	11,632,359	455,281	315,660
Allowance for impairment	-	(29,118)	-	-
Net Balance	806,928	11,603,241	455,281	315,660

23.4 **Held-to-maturity**

Treasury bills and bonds *in thousands of Nigerian Naira*	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
NIGTB 04 Jan 2018	191,089	-	191,089	-
NIGTB 01 Feb 2018	1,004,737	-	363,843	-
NIGTB 12 April 2018	1,000,000	-	-	-
NIGTB 19 April 2018	1,145,000	-	-	-
NIGTB 31 May 2018	382,000	-	-	-
NIGTB 5 July 2018	28,000	-	-	-
NIGTB 12 July 2018	8,934,073	-	2,759,756	-
NIGTB 6 Sept 2018	3,103,209	-	691,818	-
DMBK EUR 2019	204,586	-	204,586	-
United Capital	91,500	-	91,500	-
KOGI BOND 2020	470,383	-	-	-
KOGI BOND 2022	285,739	-	155,361	-
NIGTB 20 July 2017	-	1,000,000	-	-
NIGTB 27 July 2017	-	760,000	-	-
NIGTB 01 June 2017	-	6,304,636	-	2,030,905
NIGTB 13 July 2017	-	150,000	-	-
	16,840,317	8,214,636	4,457,954	2,030,905

23.4.1 The movement in held-to-maturity financial assets

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
At 1 January		8,214,636	-	2,030,905	-
Additions during the year		16,252,540	7,693,808	3,565,863	1,766,043
Accrued interest income		1,774,479	520,828	692,382	264,862
Redemption at maturity		(9,401,338)	-	(1,831,196)	-
		16,840,317	8,214,636	4,457,954	2,030,905

24 Assets pledged as collateral

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Opening balance		91,188	115,297	91,188	115,297
Fair value gain/(loss)		76,876	(24,109)	76,876	(24,109)
Closing balance		168,064	91,188	168,064	91,188

These are quoted financial instruments held on lien by providers of short term borrowings for the purpose of securing the debt. The debt providers maintain posession of the Quoted instruments but do not have ownership unless default. Pledged assets are measured at fair value as at year end.

Mutual Benefits Assurance Plc purchased quoted shares of ₦400 million with a Margin facility from Guaranty Trust Bank Plc (see Note 43).There is an on-going litigation on this investment arising from the additional investment cover requested for by the Bank due to the fall in the value of the shares purchased which was rejected by the Company.

The directors, having sought the advice of professional counsel, are of the opinion that no significant liability will crystalise from this litigation therefore, fair value gain/(lss) has been recognized in the consolidated and separate financial statements.

The movement in the carrying amount is the fair value change in respect of the marker price as at year end.

25 Trade receivables

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Trade receivable		629,280	462,616	278,159	102,994
Current		629,280	462,616	278,159	102,994
Non-current		-	-	-	-
		629,280	462,616	278,159	102,994
25.1 *The age analysis of gross insurance receivables as at the end of the year are as follows:*					
0 - 90 days		629,280	462,616	278,159	102,994
91 - 180 days		-	-	-	-
Above 180 days		-	-	-	-
		629,280	462,616	278,159	102,994
25.2 *Movement in impairment of insurance receivables*					
Balance, beginning of the year		-	330,221	-	28,761
Reversal during the year		-	(28,247)	-	(28,247)
Write off		-	(301,974)	-	(514)
		-	-	-	-
Net		629,280	462,616	278,159	102,994

26 Reinsurance assets

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Reinsurance share of outstanding claim	26.1	215,417	905,780	178,777	674,729
Reinsurance receivable		786,600	112,248	487,865	69,271
Co-assurance claims receivable		1,088,418	162,746	76,945	98,580
Prepaid reinsurance	26.2	365,296	690,965	343,239	215,113
		2,455,731	1,871,739	1,086,826	1,057,693
Current		2,455,731	1,871,739	1,086,826	1,057,693
Non-current		-	-	-	-
		2,455,731	1,871,739	1,086,826	1,057,693

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

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
At 1 January		905,780	671,450	674,729	518,979
Changes in reinsurance share of outstanding claims	6	(690,363)	335,119	(495,952)	155,750
At 31 December		215,417	905,780	178,777	674,729

26.2 *The movement in prepaid reinsurance*

At 1 January		690,965	579,872	215,113	555,901
Additions during the year		1,559,986	1,822,203	1,174,413	1,174,688
Recognised in profit or loss	4.2	(1,885,655)	(1,711,110)	(1,046,287)	(1,515,476)
At 31 December		365,296	690,965	343,239	215,113

27 Other receivables and prepayments

Prepayments		189,777	292,350	119,078	197,333
Loan to policy holders		-	4,184	-	-
Other bank balances	27.1	74,249	74,332	63,601	63,601
Investment receivables.	27.2	16,757	16,757	16,757	16,757
Other assets	27.3	75,968	99,395	-	-
Due from related companies		-	-	155,508	86,686
Sundries receivables		283,675	100,554	125,169	8,170
Share issue expenses - ongoing		132,180	-	132,180	-
Directors current account		36,399	57,918	28,748	27,025
Property development		21,922	28,686	-	-
VAT input recoverable on investment property		198,750	202,500	-	-
Trade receivables of non-insurance subsidiaries		50,254	102,277	-	-
		1,079,931	978,953	641,041	399,572
Allowance for impairment on other receivables	27.4	(86,749)	(90,933)	(80,359)	(80,359)
		993,182	888,020	560,682	319,213
Current		993,182	888,020	560,682	319,213
Non-current		-	-	-	-
		993,182	888,020	560,682	319,213

27 Other receivables and prepayments - Continued

27.1 *Other bank balances*

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Balance held in Skye Bank Jericho		2,533	2,533	2,533	2,533
Balance held in Guaranty Trust Bank Plc		61,067	61,067	61,067	61,067
Balance held in Unity Bank Plc		1	1	1	1
Other bank balances		10,648	10,731		
		74,249	74,332	63,601	63,601

This is made up of bank reversals in the bank statement of the company with inadequate information to identify the customers. The entry is corrected once the detailed information is obtained from the bank.

27.2 *Investment receivables*

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Placement with Profound Securities		16,757	16,757	16,757	16,757
		16,757	16,757	16,757	16,757

27.3 *Other assets*

WHT recoverable - OPL		67,402	83,610	-	-
Private placement		-	5,500	-	-
Stock of cheque		2,176	2,640	-	-
Excess interest charges		6,390	6,390	-	-
ATM Receivables		-	1,255	-	-
		75,968	99,395	-	-

27.4 *Allowance for impairment charges on other receivables*

Other bank balances		63,602	63,602	63,602	63,602
Investment receivable		16,757	16,757	16,757	16,757
Excess interest charges		6,390	6,390	-	-
Property buyer		-	4,184	-	-
		86,749	90,933	80,359	80,359

27.5 *The movement in impairment*

Balance, beginning of the year		90,933	81,900	80,359	81,900
Additions during the year	13	-	10,574	-	-
Write-offs during the year		-	(1,541)	-	(1,541)
Write back during the year	12	(4,184)	-	-	-
		86,749	90,933	80,359	80,359

28 Deferred acquisition costs

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Deferred acquisition cost - Fire		41,570	36,849	41,570	36,849
Deferred acquisition cost - Gen Accident		72,416	57,268	72,416	57,268
Deferred acquisition cost - Motor		86,275	65,764	86,275	65,764
Deferred acquisition cost - Marine		49,067	41,315	49,067	41,315
Deferred acquisition cost - Bond		3,205		3,205	-
Deferred acquisition cost - Oil & Gas & aviation		18,754	33,857	18,754	33,857
Life Business		213,997	105,285	-	-
		485,283	340,338	312,182	235,053

28.1 The movement in deferred acquisition costs is as follows:

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Balance, beginning of the year		340,338	322,609	235,053	261,798
Additions during the year		1,767,599	1,548,517	1,181,820	1,075,202
Amortisation in the year	7	(1,622,654)	(1,530,788)	(1,104,691)	(1,101,947)
Balance, end of year		485,283	340,338	312,182	235,053
Current		485,283	340,338	312,182	235,053
Non-current		-	-	-	-
		485,283	340,338	312,182	235,053

29 Finance lease receivables

Gross amount		399,240	664,985	289,634	333,043
Unearned interest		(56,052)	(125,633)	(36,287)	(65,775)
Net investment in finance lease	29.1	343,188	539,352	253,347	267,268
Less:					
Allowance for individual impairment		(198,133)	(119,303)	(119,303)	(119,303)
Allowance for collective impairment		-	-	-	-
		145,055	420,049	134,044	147,965
Current		81,711	318,530	70,700	46,446
Non-current		63,344	101,519	63,344	101,519
		145,055	420,049	134,044	147,965

The Company grants finance leases to clients for purchase of motor vehicles and motor cycles.

Allowance for individual impairment				
Balance, begining of the year	119,303	119,303	119,303	119,303
Addition during the year	78,830	-	-	-
Write-offs	-	-	-	-
Balance, end of the year	198,133	119,303	119,303	119,303

Allowance for impairment of ₦78.8million made during the year was for finance lease receivables due but yet to be settled for over 360 days.

31 **Investment properties**

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
At the beginning of the year		8,726,390	8,731,665	56,000	56,000
Disposal		(75,000)	-	-	-
Fair value loss		(85,390)	(5,275)	-	-
		8,566,000	8,726,390	56,000	56,000
The items of investment properties are as shown below:					
Mutual Tulip Estate	i	770,000	798,140	-	-
Property at Ikeja GRA- Sasegbon	ii	650,000	625,000	-	-
Property at Ikeja Alausa	iii	300,000	285,000	-	-
Property at Ikota	iv	56,000	56,000	56,000	56,000
Property at Sango/Idiroko - Mogga	v	80,000	84,250	-	-
Property at Sango/Idiroko - Caxtonjo	vi	50,000	50,000	-	-
Property at Onireke,Ibadan	vii	550,000	538,000	-	-
Mutual Alpha Court duplex, Costain, La	viii	4,140,000	4,218,000	-	-
Property at Asokoro, Abuja	ix	700,000	702,000	-	-
Property at Akure Plots (5,500 Square Meters)	x	200,000	220,000	-	-
Property at Paradise Estate, Anthony Estate	xi	200,000	230,000	-	-
Property at Ado Ekiti Land	xii	700,000	750,000	-	-
Property at Oyingbo, Lagos	xiii	170,000	170,000	-	-
		8,566,000	8,726,390	56,000	56,000

Movement in Investment properties is shown below:	Bal as at 1.1.2017	Fair value gain/loss	Disposal	Bal as at 32.12.2017
Mutual Tulip Estate	798,140	(28,140)	-	770,000
Property at Ikeja GRA- Sasegbon	625,000	25,000	-	650,000
Property at Ikeja Alausa	285,000	15,000	-	300,000
Property at Ikota	56,000	-	-	56,000
Property at Sango/Idiroko - Mogga	84,250	(4,250)	-	80,000
Property at Sango/Idiroko - Caxtonjo	50,000		-	50,000
Property at Onireke,Ibadan	538,000	12,000	-	550,000
Mutual Alpha Court duplex, Costain, Lagos	4,218,000	(3,000)	(75,000)	4,140,000
Property at Asokoro, Abuja	702,000	(2,000)		700,000
Property at Akure Plots (5,320 Square Meters)	220,000	(20,000)	-	200,000
Property at Paradise Estate, Anthony Estate	230,000	(30,000)	-	200,000
Property at Ado Ekiti Land	750,000	(50,000)	-	700,000
Property at Oyingbo, Lagos	170,000	-	-	170,000
Balance at the end of the year	8,726,390	(85,390)	(75,000)	8,566,000

31 Investment properties - Continued

Investment properties are stated at fair value, which has been determined based on valuations performed by Messr Alabi, Ojo & Makinde Consulting (FRC/2015/NIESV/00000010800) and Messr Arigbede & Co Estate Surveyors and Valuers (FRC/2014/00000004634), accredited independent valuers as at 31 December 2017. 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 pecularities 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 ₦100,626,000 (2016: ₦105,829,000) which is included in investment income. Direct operating expenses arising in respect of such properties during the year are included in within operating and administrative expenses.

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.

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Rental income derived from investment properties		100,626	105,829	20,615	11,790
Fair value loss on investment properties		(85,390)	(5,275)		
Investment properties related expenses		(24,453)	(100,000)	-	-
Profit arising from investment properties carried at fair value		(9,217)	554	20,615	11,790

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*

Land property of 11.40 Hectares with industrial development potential lying, situates 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. The landed property was revalued to ₦770 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. The subsisting title to the subject is vested in the Company through a Deed of Assignment.

ii *Property at Ikeja GRA- Sasegbon*

Land property of 5,942.065 square metres of land located at 7b&9 Sasegbon Street, GRA Ikeja Lagos state in Nigeria was purchased at a cost of ₦593million. The landed property was revalued to ₦650 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. The subsisting title to the subject is a deed of assignment.

31 Investment properties - Continued

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

iii *Property at Ikeja Alausa*
Land property of 1,515.601 square metres of land located at Alusa central business district Lagos state in Nigeria was purchased at a cost of ₦177million. The landed property was revalued to ₦300 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. The subsisting title to the subject is vested in Deed of Assignment in favour of Mutual Benefits Assurance Plc.

iv *Property at Ikota*
The property is situated at Olori Bolaji Akinloye Street, Ikota Villa Estate, Off Lekki-Epe express way, Lagos State. The property has a registered title and there is an executed Deed of Assignment in favour of the Company. The property is 5-bedroom detached house. It measures a gross floor area of approximately 148.84 square meters. It is a building on two floors. The ground foor is provided with a sitting room, kitchen, store, a guest bedroom en-suite with toilet and bathroom. It was revalued by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. Perfection of title is on-going.

v *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 2017. The subsisting title to the subject is vested in the Deed of Assignment in favour of Mutual Benefits Life Assurance Limited.

vi *Property at Sango/Idiroko - Caxtonjo*

Land 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 N50 million by Messrs Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. The subsisting title to the subject is vested in the Deed of Assignment in favour of Mutual Benefits Life Assurance Limited.

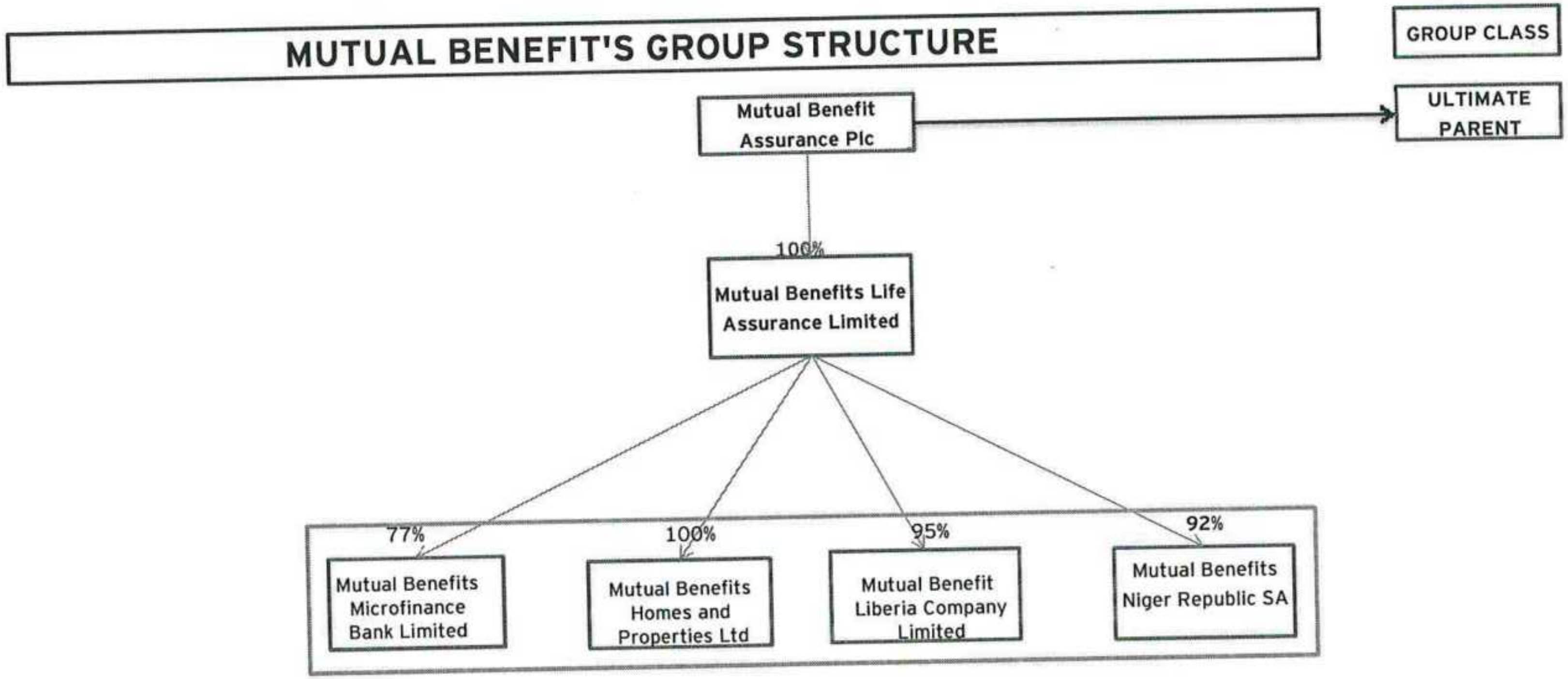
vii *Property at Onireke, Ibadan*
The property occupy 6808.179 square meters of land located at kudeti Avenue, Commercial Reservation Onireke, Ibadan, Oyo State in Nigeria was transferred from Mutual Benefits Assurance Plc to Mutual Benefits Life Assurance Limited in 2014. The property was transferred at a cost of ₦543,791,845 and revalued to ₦550 million by Messrs Alabi, Ojo and Makinde Consulting as at 31 December 2017. The subsisting title to the subject is a certificate of Occupancy in favour of the Company.

viii *Mutual Alpha Court duplex, Costain, Lagos*

This represents 53 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 2017, 53 units were revalued at ₦4.14 billion 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 Life Assurance Limited.

ix *Property At Abuja (Asokoro District, Abuja)*
This is a six bedroom detached house (207.12 square meters) on a rectagular shaped site covering and approximately land area of 800 square meters, situated at 78 Yahubu Gowon Crescent, Asokoro, Abuja, The property was purchased at a cost of ₦666.25million. The property was valued at ₦700million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2017. The subsisting title to the subject land is a deed of assignment in favour of the Company.

32 Investments in subsidiaries



	Company name	Nature of business	Country of origin	Relationship	% of equity controlled	NCI	Status	Year of control
1	Mutual Benefits Life Assurance	Insurance	Nigeria	Direct - Subsidiary	100%	-	Set up	Dec 2007
2	Mutual Benefits Microfinance Bank Ltd	Banking	Nigeria	Indirect - Subsidiary	77%	23%	Acquired	Jan 2009
3	Mutual Benefits Homes and Properties Ltd	Property development	Nigeria	Indirect - Subsidiary	100%	-	Set up	Jan 2008
4	Mutual Benefits Liberia	Insurance	Liberia	Indirect - Subsidiary	95%	5%	Set up	Jan 2008
5	Mutual Benefits Niger Republic	Insurance	Niger Republic	Indirect - Subsidiary	92%	8%	Set up	Jan 2014

32 Investments in subsidiaries

Mutual Benefits Life Assurance Limited

Mutual Life Assurance Limited is a wholly owned subsidiary of Mutual Benefits Assurance Plc.The principal activity of the Company is the underwriting of life insurance policies.

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. The shareholding of Mutual Benefits Life Assurance Ltd in the Company was reduced to 77% with the additional shares issues in 2017.

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.

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.

Mutual Benefits Niger Republic

Mutual Benefits Niger S.A commenced operations on 2 January 2014. It is into underwriting of all classes of non-life businesses. It is 92% owned by Mutual Benefits Life Assurance Limited.

33 **Intangible assets: Software**

in thousands of Nigerian Naira	Note	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Cost:					
Balance at the beginning of the year		293,042	248,720	163,512	153,881
Additions		21,796	18,759	13,725	9,631
Foreign exchange difference		12,002	25,563	-	-
		326,840	293,042	177,237	163,512
Amortization:					
Balance at the beginning of the year		219,511	159,073	130,207	96,578
Amortisation charge	15	54,986	46,705	31,643	33,629
Foreign exchange difference		8,348	13,733	-	-
		282,846	219,511	161,850	130,207
Carrying amount at the end of the year		43,994	73,531	15,387	33,305

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

34 Property, plant and equipments (Group)

In thousands of Nigerian Naira	Note	Leasehold properties	Land	Land & Building	Leasehold Improvement	Plant and machinery	Motor vehicles	Furniture fittings and equipment	Trading booth	Organisa - tional cost	Capital work-in progress	Total
Cost/revaluation:												
1 January 2016		154,126	78,900	2,243,070	1,266,390	341,613	765,357	1,317,128	3,799	114,751	6,887	6,137,895
Additions		-	-	-	217,053	11,800	325,202	162,284	-	-	-	716,340
Reclassification		-	-	-	-	-	-	6,887	-	-	(6,887)	-
Disposal		-	-	-	-	(33,293)	(67,150)	(14,564)	-	-	-	(115,007)
Foreign exchange difference		-	40,000	-	67,227	4,438	31,909	16,991	-	-	-	160,565
31 December 2016		154,126	118,900	2,243,070	1,550,670	324,558	1,055,318	1,488,726	3,799	114,751	-	6,899,792
Additions		-	63,668	-	57,341	1,162	142,576	102,232	-	-	-	366,979
Disposal		-	-	-	-	(65,887)	(32,912)	(7,136)	-	-	-	(105,935)
Revaluation adjustment		-	139,139	72,617	-	-	-	-	-	-	-	211,756
Foreign exchange difference		-	17,575	-	466	31	289	9,358	-	-	-	27,719
31 December 2017		154,126	339,282	2,315,687	1,608,477	259,864	1,165,271	1,593,180	3,799	114,751	-	7,400,311
As at 1 January 2016		154,126	-	129,977	551,229	279,883	474,900	732,833	3,799	114,751	-	2,287,373
Charge for the year		-	-	46,439	200,467	27,979	159,570	213,987	-	-	-	648,442
Disposal		-	-	-	-	(33,087)	(67,150)	(9,214)	-	-	-	(109,451)
Foreign exchange difference		-	-	-	7,200	2,240	26,489	13,202	-	-	-	49,131
31 December 2016		154,126	-	176,416	758,896	277,015	593,809	950,809	3,799	114,751	-	2,875,495
Charge for the year		-	-	46,439	220,989	16,380	194,035	221,870	-	-	-	699,713
Disposal		-	-	-	-	(65,866)	(32,912)	(5,813)	-	-	-	(104,591)
Foreign exchange difference		-	-	-	79	26	240	6,418	-	-	-	6,763
31 December 2017		154,126	-	222,855	979,964	227,555	755,172	1,173,284	3,799	114,751	-	3,477,380
Carrying amounts at:												
31 December 2017		-	339,282	2,092,832	628,513	32,310	410,098	419,896	-	-	-	3,922,931
31 December 2016		-	118,900	2,066,654	791,774	47,544	461,508	537,917	-	-	-	4,024,297

No leased assets are included in the above property, plant and equipment and the Group had no capital commitments as at 31 December 2017. The capital work-in progress is a control account for the acquisition of property, plant and equipment for which advance payments have been made but assets yet to be completed, delivered and put to use. None of the assets have been pledged as

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

34 Property, plant and equipment (Company)

in thousands of Nigerian Naira	Leasehold properties	Building	Leasehold Improvement	Plant and machinery	Motor vehicles	Furnitures fittings and equipment	Total
Cost/revaluation:							
As at 1 January 2016	154,126	2,321,970	338,727	60,384	493,633	918,611	4,287,451
Additions	-	-	178,901	11,180	249,835	74,269	514,185
Disposal	-	-	-	-	(52,150)	-	(52,150)
31 December 2016	154,126	2,321,970	517,628	71,564	691,318	992,880	4,749,486
Additions	-	-	40,996	-	89,932	20,830	151,758
Disposal	-	-	-	(1,137)	(23,512)	(3,843)	(28,492)
Revaluation adjustment	-	72,617	-	-	-	-	72,617
31 December 2017	154,126	2,394,587	558,624	70,427	757,738	1,009,867	4,945,369
Accumulated depreciation:							
As at 1 January 2016	154,126	169,210	117,527	51,773	294,802	462,656	1,250,094
Charge for the year	-	46,439	94,581	3,830	106,297	147,751	398,898
Disposal	-	-	-	-	(52,150)	-	(52,150)
31 December 2016	154,126	215,649	212,108	55,603	348,949	610,407	1,596,842
Charge for the year	-	46,439	110,744	4,537	142,084	147,614	451,418
Disposal	-	-	-	(1,137)	(23,512)	(3,843)	(28,492)
31 December 2017	154,126	262,088	322,852	59,003	467,521	754,178	2,019,768
Carrying amounts at:							
31 December 2017	-	2,132,499	235,772	11,424	290,217	255,689	2,925,601
31 December 2016	-	2,106,321	305,520	15,961	342,369	382,473	3,152,644

No leased assets are included in the above property, plant and equipment and the company had no capital commitments as at 31 December 2017. None of the assets have been pledged as collateral.

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

34 Property, plant and equipments (Company)

i The Company's land and building at Aret Adams House were professionally valued on 19 January 2018 by Alabi, Ojo & Makinde Estate Surveyors and Valuers (FRC/2015/NIESV/00000010800). The valuation which was based on open market value between a willing buyer and a willing seller produced a surplus amount of ₦72,617,000 which has been credited to the property, plant and equipment revaluation account. As a result of the valuation, the revised value of the properties as at 31 December 2017 was ₦1,450,000,000.

The cost to date at the date of the initial revaluation in 2012 was ₦130,161,000. The property was valued in an open market by reference to the cost approach to value and the Income Approach to value was adopted to cross check the market value.

ii If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	GROUP		COMPANY	
in thousands of Nigerian Naira			31 Dec-2017	31 Dec-2016
Cost	312,729	130,161	130,161	130,161
Accumulated depreciation	(13,016)	(10,413)	(13,016)	(10,413)
	299,713	119,748	117,145	119,748

35 **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 11.04% per annum (2016: 11.94%) on statutory deposits are included in investment income (Note 9).

The deposit has been tested for adequacy as at 31 December 2017 and found to be adequate.

		GROUP		COMPANY	
in thousands of Nigerian Naira		31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Statutory deposit		500,000	500,000	300,000	300,000
		500,000	500,000	300,000	300,000

36 **Deposit for investment in equity**

Mutual Exploration	36.1	480,588	460,588	410,588	390,588
		480,588	460,588	410,588	390,588

36.1 This represents the deposit for shares in Mutual Exploration and Production Limited.

37 **Goodwill**

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

		GROUP	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016
Mutual Microfinance Bank Limited		1,543	1,543
		1,543	1,543

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

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

37 **Goodwill - Continued**

Impairment test on goodwill

The goodwill recognized represents the price paid above the 80% of the fair value of the identifiable net assets of CGU (Mutual Benefits Microfinance Bank Limited) at the acquisition date, 1 January 2009.

Annual impairment testing of goodwill in accordance with the requirements of IAS 36 'Impairment of Assets' is carried out by comparing the carrying amount of the CGU to its recoverable amount, being the higher of the CGU's value-in-use or fair value less costs to sell. An impairment charge is recognized when the recoverable amount is less than the carrying value. Value-in-use is calculated as the net present value of the projected risk-adjusted cash flows of the CGU. The cash flows attributable to the value of the CGU are based on past experience of operating results. These cash flows are based on the expected free cash flow growth for the entity over a 5 year period.

Impairment assessment has been performed for the year, and no losses on goodwill was recognized as the recoverable amount of the CGU as at 31 December 2017 was greater than its carrying amount and is thus not impaired.
The recoverable amount of ₦296million (2016: ₦344 million) was determined using a value-in-use computation.

Assumptions Approach used to determining value-in-use
- Discount rate: the discount rates have been calculated based on the Group's weighted average cost of capital and risks specific to the CGU being tested. Pre-tax rates of 23% was determined as at 31 December 2017.
- Long term growth rates: This is the weighted average growth rate used to extrapolate cash flows beyond the budget period and it is based on the estimated growth rate for Nigeria.

The assumptions used in the impairment testing of the CGU are as follows:

	2017	2016
Carrying amount of the CGU (in thousands of Nigerian Naira)	181,379	277,011
Discount rate	23%	23%
Period covered by management projections	5 years	5 years
Long-term growth rate	2.0%	2.5%

Sensitivity analysis
Sensitivity analysis performed around the base case assumptions has indicated that for the CGU, the following changes in

	Change required to trigger impairment	Change required to trigger impairment
Forecast free cash flow	39% reduction	50% reduction
Discount rate	50% higher	16% higher
Long-term growth rate	2480% lower	359% lower

Management believes that any reasonably possible change in the key assumptions on which the CGU recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

38 Insurance contract liabilities

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Outstanding claims	38.1	6,078,210	3,865,911	1,926,358	1,709,183
Unearned premiums	38.2	4,220,880	3,535,961	2,426,248	2,113,547
		10,299,090	7,401,872	4,352,606	3,822,730
Current		10,299,090	7,401,872	4,352,606	3,822,730
Non-current		-	-	-	-
		10,299,090	7,401,872	4,352,606	3,822,730

38.1 Outstanding claims

	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Non-Life business	38.1.1	2,394,078	1,828,770	1,926,358	1,709,183
Life business	38.1.2	3,684,132	2,037,141	-	-
		6,078,210	3,865,911	1,926,358	1,709,183

38.1.1 Non-Life business:

	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Non-Life outstanding claims				
Claims reported by policyholders	1,819,801	1,272,158	1,352,081	1,152,471
Claims incurred but not reported (IBNR)	574,277	556,612	574,277	556,612
	2,394,078	1,828,770	1,926,358	1,709,083
Movement in Non-life outstanding claims				
At 1 January	1,828,770	1,804,553	1,709,083	1,783,719
Claims incurred in the current year	2,839,252	1,746,813	2,256,116	1,412,857
Claims paid during the year	(2,273,944)	(1,722,596)	(2,038,841)	(1,487,493)
	2,394,078	1,828,770	1,926,358	1,709,083
Analyis of Non-life outstanding claims per class of insurance				
Motor	792,752	287,967	325,032	268,119
Marine	146,897	101,172	146,897	101,172
Fire	245,146	211,472	245,146	211,472
General accident	715,888	711,797	715,888	711,797
Oil & Gas and Aviation	493,395	516,362	493,395	416,523
	2,394,078	1,828,770	1,926,358	1,709,083
The aging analysis of Non-life outstanding claims				
0 - 90	1,819,801	1,272,158	1,352,081	1,152,471
91 - 180	-	-	-	-
181 - 270	-	-	-	-
271 - 360	-	-	-	-
361 and above	-	-	-	-
No aging - IBNR	574,277	556,612	574,277	556,612
	2,394,078	1,828,770	1,926,358	1,709,083
No. of claimants for each age range of Non-life outstanding claims	1,760	1,525	1,123	1,023

The ageing of the outstanding claims is measured from the date of the issuance of discharge vouchers to the reporting date for 2017 and 2016 reporting dates

38 **Insurance contract liabilities - Continued**

38.1.2 **Life business:**

		GROUP			
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016		
Life outstanding claims					
Outstanding claims		3,020,193	1,315,072	-	-
Claims incurred but not reported (IBNR)		663,939	722,069	-	-
		3,684,132	2,037,141	-	-
Analyis of life outstanding claims per class of insurance					
Group life	i	3,207,089	1,533,575	-	-
Individual life	ii	79,925	84,195	-	-
Annuity	iii	397,118	419,371	-	-
		3,684,132	2,037,141	-	-
i *Movement in group life outstanding claims*					
At 1 January		1,533,575	597,472	-	-
Claims incurred in the current year		3,992,120	2,324,917	-	-
Claims paid during the year		(2,318,606)	(1,388,814)	-	-
		3,207,089	1,533,575	-	-
ii *Movement in individual life outstanding claims*					
At 1 January		84,195	245,727	-	-
Premiums written in the year		1,289,494	1,219,464	-	-
Premiums earned during the year		(1,289,494)	(1,219,464)	-	-
Claims incurred in the current year		59,591	77,975		
Claims paid during the year		(59,591)	(77,975)		
Changes in actuarial valuation		(4,270)	(161,532)		
At 31 December		79,925	84,195	-	-
iii *Movement in annuity*					
At 1 January		419,371	65,332	-	-
Claims incurred in the current year		45,691	30,784		
Claims paid during the year		(45,692)	(30,783)	-	-
Changes in actuarial valuation		(22,252)	354,038	-	-
		397,118	419,371	-	-
The aging analysis of life outstanding claims					
0 - 90		2,623,075	895,702	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging - Annuity		397,118	419,371	-	-
No aging - IBNR		663,939	722,068	-	-
		3,684,132	2,037,141	-	-

The ageing of the outstanding claims is measured from the date of the issuance of discharge vouchers to the reporting date for 2017 and 2016 reporting dates

38.2 **Unearned premiums**

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Non-Life business		2,490,377	2,223,277	2,426,248	2,113,547
Life business		1,730,503	1,312,684	-	-
		4,220,880	3,535,961	2,426,248	2,113,547

i *The movement in unearned premium*

At 1 January	3,535,961	3,374,888	2,113,547	2,187,449
Premiums written in the year	14,037,879	12,143,610	7,298,974	6,586,846
Premiums earned during the year	(13,352,960)	(11,982,537)	(6,986,273)	(6,660,748)
At 31 December	4,220,880	3,535,961	2,426,248	2,113,547

ii *The movement in non-life unearned premium*

At 1 January	2,223,277	2,267,057	2,113,547	2,187,449
Premiums written in the year	8,840,857	7,615,657	7,298,974	6,586,846
Premiums earned during the year	(8,573,757)	(7,659,437)	(6,986,273)	(6,660,748)
	2,490,377	2,223,277	2,426,248	2,113,547

iii *Analysis of Non-life unearned premium*

Motor	1,058,598	919,909	1,058,598	919,909
Marine	335,403	258,411	335,403	258,411
Fire	231,295	200,341	231,295	200,341
Aviation, oil and gas	223,890	338,743	223,890	338,743
General accidents	641,191	505,873	577,062	396,144
	2,490,377	2,223,277	2,426,248	2,113,547

iv *Analysis of life unearned premium*

Group Life	1,730,503	1,312,684	-	-
	1,730,503	1,312,684	-	-

The movement in life unearned premium

At 1 January	1,312,684	1,107,831	-	-
Premiums written in the year	5,197,022	4,527,953	-	-
Premiums earned during the year	(4,779,203)	(4,323,100)	-	-
	1,730,503	1,312,684	-	-

39 **Investment contract liabilities**

In thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Group deposit administration		261,650	233,274		
Individual deposit administration		26,302,571	25,723,497		
		26,564,221	25,956,771		
Current		11,061,718	11,061,718		
Non-current		15,502,503	14,895,053		
		26,564,221	25,956,771		

The movement in deposit administration funds

		GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Balance at the beginning of the year		25,956,771	24,217,581		
Deposits received during the year		11,985,338	12,338,438		
Guaranteed interest		2,041,115	1,628,443		
Withdrawals during the year		(13,419,003)	(12,227,691)		
Balance at the end of the year		26,564,221	25,956,771		

40 **Trade payables**

	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Reinsurance payables		265,243	115,803	115,352	49,226
Co-Insurance payables		885,197	6,239	-	604
Deferred commission		83,221	130,866	77,290	47,116
Commission payable		571,490	224,434	281,146	141,900
Deposits for premium	40.1	1,053,145	792,877	554,484	213,649
		2,858,296	1,270,219	1,028,272	452,495
Current		2,858,296	1,270,219	1,028,272	452,495
Non-current		-	-	-	-
		2,858,296	1,270,219	1,028,272	452,495

40.1 **The movement in deposit for premium during the year is as follows:**

	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Balance at the beginning of the year	792,877	595,228	213,649	157,552
Addition during the year	747,760	351,034	409,729	134,419
Reclassified to premium income during the year	(160,758)	(138,385)	(68,894)	(78,322)
Reclassified as investment contract liabilities during the	(40,000)	(15,000)	-	-
Reclassified as other income during the year	(286,734)	-	-	-
Balance at the end of the year	1,053,145	792,877	554,484	213,649

Deposit for premium represents premium received on general business,life insurance contracts 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 neccessary.

41 **Other liabilities**

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Accruals		165,360	612,083	49,971	59,451
Rent received in advance		30,663	29,070	4,424	3,987
Dividend Payable		89,141	89,141	89,141	89,141
PAYE		3,954	4,472	502	1,015
VAT payable		401,280	413,497	-	-
WHT payable		28,711	31,669	1,435	5,536
Staff pension		6,976	3,503	-	-
Salary control account		34,962	-	-	-
Deferred income		52	964	52	964
Amount due to Directors		4,019	18,051	-	-
National Housing Fund		2,466	6,647	2,036	6,184
Cooperative		3,131	3,185	-	-
Provision for NAICOM levy		116,627	131,994	39,627	51,994
Deposit for facility management		43,268	37,418	-	-
Professional fee		5,000	57,806	5,000	57,806
Medical fees payable		9,284	-	9,284	-
Other Creditors		166,004	197,370	34,223	11,334
Land deduction		9	-	-	-
Deposit for properties by customers		50,317	74,126	-	-
		1,161,224	1,710,996	235,695	287,412
Current		1,161,224	1,710,996	235,695	287,412
Non-current		-	-	-	-
		1,161,224	1,710,996	235,695	287,412

42 **Deposit liabilities**

	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Current	129,649	78,858	-	-
Time	-	37,522	-	-
Savings	129,619	87,465	-	-
	259,268	203,845	-	-
Current	259,268	203,845	-	-
Non-current	-	-	-	-
	259,268	203,845	-	-

43 Borrowings

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
GTBank margin facility	43.2	400,870	400,870	400,870	400,870
Loan from Daewoo Securities Limited	43.3	6,108,300	5,857,200	6,108,300	5,857,200
		6,509,170	6,258,070	6,509,170	6,258,070
Current		-	-	-	-
Non-current		6,509,170	6,258,070	6,509,170	6,258,070
		6,509,170	6,258,070	6,509,170	6,258,070

43.1 *The movement in borrowings during the year is as follows:*

Balance, beginning of the year	6,258,070	4,073,095	6,258,070	4,073,095
Impact of foreign exchange rate changes	251,100	2,184,975	251,100	2,184,975
Balance at the end of the year	6,509,170	6,258,070	6,509,170	6,258,070

43.2 *GTBank margin facility*

The Company obtained a margin loan facility of ₦600 million from Guaranty Trust Bank Plc to finance working capital requirements for Margin trading at 16% per annum on the 19 June 2007 out of which ₦450 million was utilised. The facility was secured by lien on shares financed and an upfront 50% margin contribution (representing a 150% cover). The Bank was to dispose of the warehoused shares to liquidate the facility whenever the cover falls to 130%. Repayment of the facility was to be from proceeds of sale of shares financed.

There is however an on-going litigation on this facility arising from the rejection by the Company of the additional investment cover requested for by the Bank due to the fall in the value of the shares purchased against which the facility was initially secured. The directors, having sought the advice of professional counsel, are of the opinion that no significant liability other than the amount already recognised will crystalise from this litigation.

43.3 Loan from Daewoo Securities Limited

in thousands of Nigerian Naira	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Balance at 1 January	5,857,200	3,672,225	5,857,200	3,672,225
Impact of foreign exchange rate changes	251,100	2,184,975	251,100	2,184,975
	6,108,300	5,857,200	6,108,300	5,857,200

The Company issued two zero coupon global bonds with options in the aggregate sum of 2,500,000,000 Japanese Yen (JPY). Daewoo Securities (Europe) Limited acted as the bondholder, financial advisor and paying agent to the issues.

The first tranche in the sum of 1,750,000,000 Japanese Yen (JPY) was due for redemption in year 2020 while the second tranche in the sum of 750,000,000 Japanese Yen (JPY) was due in year 2027. The Bonds were issued with the options to subscribe for the ordinary shares of the Company.

Subsequently, in 2009, Daewoo Securities (Europe) Limited called for the repayment of the bonds and an amount of ₦421,455,030 (equivalent to JPY250,000,000) was redeemed.

As at 31 December 2014, confirmation received from Daewoo Securities Limited indicated an outstanding balance of JPY4,710,900,101 (₦6,612,690,000) in respect of the bond .

However, there is a litigation in respect of these bonds. In view of the Litigation, the terms and conditions of the bonds are no longer being complied with by both the issuer and the subscriber. The implication for noncompliance with the terms and conditions by the Company are that in the event that the outcome of litigation is unfavourable penalties may be awarded.

During the year, the professional opinion obtained from the counsel of the Company, Bayo Osipitan & Co specified that there is high unlikelihood that the coupon rate and penal interest will be payable by Mutual Benefits Assurance Plc as a high chance of success is anticipated in the on going court case.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

44 Current income tax liabilities

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
At the beginning of the year:		503,843	521,385	217,733	317,932
Current income tax charge					
Company income tax		69,387	165,764	-	117,263
Education tax		15,200	15,921	11,516	15,343
Information technology tax		9,432	1,569	8,727	-
Minimum tax		324,697	83,015	269,454	-
	19.1	418,716	266,270	289,697	132,607
Payments during the year		(235,386)	(283,812)	(85,425)	(232,806)
Balance at the end of the year		687,173	503,843	422,005	217,733

45 Deferred tax liabilities

	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Deferred tax liabilities	45.1	(1,063,084)	(1,147,429)	(705,821)	(729,917)
		(1,063,084)	(1,147,429)	(705,821)	(729,917)

45.1 *Movement in Deferred income tax liabilities*

	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Balance, beginning of year	1,147,429	1,136,079	729,917	720,943
Charge in income statement for the year	(106,130)	11,350	(45,881)	8,974
Charge in other comprehensive income	21,785	-	21,785	-
Balance at the end of the year	1,063,084	1,147,429	705,821	729,917

Deferred income tax liability is attributable to the following:

	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Property, plant and equipment	1,025,222	852,340	705,821	729,917
Investment property	37,862	295,089	-	-
	1,063,084	1,147,429	705,821	729,917

45.2 *Unrecognised deferred tax assets*

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

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Property, plant and equipment		260,655	219,379	-	-
Tax losses		3,291,313	2,309,080	-	-
Balance, end of year		3,551,967	2,528,459	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

46 Share capital

in thousands of Nigerian Naira	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Share capital comprises:				
46.1 *Authorized:*				
20,000,000,000 (2016: 10,000,000,000) Ordinary shares of 50k each	10,000,000	5,000,000	10,000,000	5,000,000
46.2 *Issued and fully paid:*				
8,000,000, 000 (2016:8,000,000,000) Ordinary shares of 50k each	4,000,000	4,000,000	4,000,000	4,000,000

There was no movement in share capital account during the year.

47 Treasury shares

Company's shares held	250	250	250	250

Treasury share: this represents the market value of shares of the Company held by the Company through its investment in quoted securities of the Nigerian Stock Exchange.

48 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 Limited and Mutual Benefits Niger Republic Limited have functional currencies other than Naira.

49 Contingency reserve

In compliance with Section 21 (1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums, or 20% of the profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium. While for life business, the contingency reserves 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.

	GROUP		COMPANY	
in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Balance, beginning of the year	2,533,160	2,292,040	2,179,515	1,981,910
Transfer from retained earnings	268,604	241,120	218,970	197,605
Balance, end of year	**2,801,764**	**2,533,160**	**2,398,485**	**2,179,515**
Analysis per business segment				
Non-life business	2,398,485	2,179,515	2,398,485	2,179,515
Life business	403,279	353,645	-	-
	2,801,764	2,533,160	2,398,485	2,179,515
Non-life business				
Balance, beginning of the year	2,179,515	1,981,910	2,179,515	1,981,910
Transfer from retained earnings	218,970	197,605	218,970	197,605
Balance, end of year	**2,398,485**	**2,179,515**	**2,398,485**	**2,179,515**
Life business				
Balance, beginning of the year	353,645	310,130	-	-
Transfer from retained earnings	49,634	43,515	-	-
Balance, end of year	403,279	353,645	-	-

50 Revaluation reserve

	GROUP		COMPANY	
Balance, beginning of the year	1,288,563	1,288,563	1,288,563	1,288,563
Revaluation surplus on Land and building	211,756	-	72,617	-
Tax on revaluation surplus	(21,785)	-	(21,785)	-
NCI Portion of revaluation surplus	(11,131)	-	-	-
	1,467,403	1,288,563	1,339,395	1,288,563

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

51 Accumulated losses

The accumulated losses represents the loss retained in the business over the periods. See statement of changes in equity for movement in retained losses.

52 **Non-controlling interests in equity**

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016
Opening balance		123,607	127,154
Addition during the year	52.1	14,867	-
Changes in equity		8,310	-
Dividend		-	(8,127)
Share from total comprehensive income		42,562	4,580
Balance as at year end		189,346	123,607

This relates to additional ordinary shares of 14,867,000 issued by the subsidiary which was fully taken by the Non-controlling interest.

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

Mutual Benefits Microfinance Bank Ltd

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016
NCI percentage		23%	20%
Cash and cash equivalents		132,772	36,005
Loans and receivables		591,442	460,353
Other receivables		19,161	26,199
Intangible assets		5,916	3,920
Property, plants and equipment		26,488	28,233
Other liabilities		(99,863)	(51,102)
Deposit liabilities		(472,695)	(203,845)
Current income tax liabilities		(16,837)	(16,212)
Deferred tax liabilities		(5,005)	(6,542)
Net assets		181,379	277,011
Carrying amount of NCI		45,055	55,602
Income		257,237	227,614
Expenses		(277,786)	(247,806)
Profit before tax		(110,856)	(20,192)
Profit after tax		(110,498)	(19,781)
Profit allocated to NCI		(25,415)	(3,956)
Cash flows from operating activities		109,916	(100,654)
Cash flows from investing activities		(5,659)	14,184
Cash flows from financing activities		(2,490)	(1,000)
Net increase in cash and cash equivalents		101,767	(87,470)

53 **Reconciliation of (loss)/profit before income tax to cash flows provided by operating activities:**

		GROUP		COMPANY	
In thousands of Nigerian Naira		31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Profit/(loss) before income tax		1,335,093	(1,068,666)	849,091	(1,248,946)
Adjustments for non-cash items:					
Fair value (gain)/loss on pledged assets	10	(76,876)	24,109	(76,876)	24,109
Amortisation of deferred acquisition costs	28.1	1,622,654	1,530,788	1,104,691	1,101,947
Fair value (gain)/loss on financial assets through profit or loss	10	(46,855)	29,366	(46,855)	29,366
Net impairment (reversal)/charge on trade and other receivables	13	(2,011)	(17,673)	-	28,247
Impairment reversal on finance lease receivables	12	78,830	-	-	-
Interest income on finance leases	28.1	(31,795)	(77,092)	(14,800)	(57,833)
Bad debt written off		-	38,681	-	-
Impairment charge/(reversal) on loan and advances	13	90,307	(33,435)	-	
Fair value loss on investment property	10	85,390	5,275	-	-
Amortisation of intangible assets	33	54,986	46,705	31,651	33,629
Depreciation of property and equipments	34	699,713	648,442	451,418	398,898
Gain on disposal of property and equipment	11	(8,000)	(16,643)	(1,895)	(13,600)
Loss on disposal of property & equipment	15	440	213	-	-
Foreign exchange gain on finance lease	28.1	-	(32,066)	-	-
Foreign exchange gain on cash and cash equivalents	16	(273,385)	(294,855)	(273,385)	(261,098)
Foreign exchange loss foreign domiciliary borrowings	43.1	251,100	2,184,975	251,100	2,184,975
Cash flow from operating profit before changes in operating assets and liabilities		3,779,591	2,968,125	2,274,140	2,219,694
Trade receivables		(166,664)	(243,339)	(175,165)	(66,472)
Reinsurance assets		(583,992)	(457,139)	(29,133)	166,497
Other receivables and prepayment		(1,895,693)	341,152	(933,851)	186,084
Deferred acquisition cost		(1,767,599)	(1,548,517)	(1,181,820)	(1,075,202)
Inventories		425,042	200,300	-	-
Insurance contract liabilities - Claims		2,212,299	1,152,827	217,175	(74,536)
Insurance contract liabilities - Unearned premium		684,919	161,073	312,701	(73,902)
Trade payables		1,588,077	453,564	575,777	174,746
Other liabilities		(549,772)	623,858	(51,717)	50,832
Loans and receivables		(1,932,569)	(2,262,836)	137,790	(11,098)
Investment contract liabilities		607,450	1,739,190	-	-
Deposit liabilities		55,423	(306,022)	-	-
Income tax paid	44	(235,386)	(283,812)	(85,425)	(232,806)
Net cash flow from operating activities		2,221,126	2,538,424	1,060,472	1,263,838

54 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:

	GROUP		COMPANY	
in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
₦220,001 - ₦720,000	106	107	7	31
₦720,001 - ₦1,400,000	184	163	62	49
₦1,400,001 - ₦2,050,000	75	62	25	28
₦2,050,001 - ₦2,330,000	38	46	24	30
₦2,330,001 - ₦2,840,000	20	10	7	4
₦2,840,001 - ₦3,000,000	9	11	5	8
₦3,000,001 - ₦4,500,000	51	46	30	26
₦4,500,001 - ₦5,950,000	15	8	12	-
₦5,950,001 - ₦6,800,000	12	12	9	10
₦6,800,001 - ₦7,800,000	10	21	-	11
₦7,800,001 - ₦8,600,000	4	6	-	4
₦8,600,001 - ₦11,800,000	13	14	8	8
Above ₦11,800,000	10	13	4	7
Balance, end of year	547	519	193	216

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

		GROUP		COMPANY	
	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Executive Directors		6	7	2	3
Management staff		128	123	71	81
Non management staff		419	396	122	135
		553	526	195	219

ii **Directors' remuneration:**

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Executive compensation		317,500	317,435	206,400	213,319
Directors fees		13,750	53,857	13,750	53,857
Other directors expenses		98,602	67,417	68,602	43,417
		429,852	438,709	288,752	310,593

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

54 **Supplementary statement of profit or loss information - Continued**

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

	GROUP		COMPANY	
in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Chairman	7,200	35,200	5,200	5,200
Highest paid director	55,757	130,757	45,125	75,000

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

		GROUP		COMPANY	
in thousands of Nigerian Naira	Notes	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
N500,000- N1,000,000		3	3	0	0
Above N2,000,000		12	12	9	9
		15	15	9	9

55 **Related parties**

Parent

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

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

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 Assurance Plc.

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

	GROUP		COMPANY	
in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016	31 Dec-2017	31 Dec-2016
Key management compensation				
Salaries and other short-term benefits	317,500	380,993	206,400	276,877
Directors fees and allowance	83,328	107,754	13,750	10,116
Defined contribution pension	6,768	6,602	4,368	4,202
Other directors expenses	30,000	24,000	-	-
	437,596	519,349	224,518	291,195

55 **Related parties - Continued**

Transactions with key management personnel

in thousands of Nigerian Naira	Notes	GROUP 31 Dec-2017	GROUP 31 Dec-2016	COMPANY 31 Dec-2017	COMPANY 31 Dec-2016
Loans and advances to directors					
Opening balance		76,054	98,418	-	10,000
Granted during the year		-	11,000	-	-
Repayment		(54,004)	(33,364)	-	(10,000)
Balance as at 31 December		22,050	76,054	-	-
Interest earned		6,464	18,643	-	500

Loans to key management personnel include mortgage loans and other personal 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. All other loans are unsecured.

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

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

Name of related party *in thousands of Nigerian Naira*	Nature of relationship	Types of transaction	COMPANY 2017	COMPANY 2016
Receivables				
Mutual Homes & Properties Ltd	Subsidiary	Loans	639,427	1,050,496
Mutual Benefits Microfinance Bank Ltd	Subsidiary	Current account	3,937	11,900
Mutual Benefits Microfinance Bank Ltd	Subsidiary	Fixed deposit	209,489	176,483
Prime Exploration and Production Limited	Directors	Loan	10,162,578	-
Mutual Benefits Life Assurance Limited	Subsidiary	Intercompany	155,508	86,686
Mutual Benefits Liberia	Subsidiary	Intercompany	25,235	20,936

56 Contingent liabilities

Litigation and claims

The Company has a contingent liability of 2.46 billion Japanese Yen (JPY) equivalent to ₦6.7billion in 2017 (2016:₦6.4 billion) in respect of the convertible bond issued in 2007 in which Daewoo Securities (Europe) acted as paying agent and subscriber to the bond. This liability arose as a result of disagreement between amount confirmed by Daewoo Securities as at 31 December 2014 and the balance in the books of the Company as analysed below:

in thousands of Nigerian Naira	JYP	NGN
Balance confirmed by Daewoo Securities as at 31 December 2014	4,710,900	12,789,151
Balance admitted by Mutual Benefits Assurance Plc	2,250,000	6,108,300
Disputed Balance	2,460,900	6,680,851

The ongoing litigation between Daewoo Securities and Mutual Benefits Assurance Plc remained unresolved, therefore the contingent liabilities continued to be carried in the books as 2.46 billion Japanese Yen (JPY) (2017:₦6.7billion)

	COMPANY	
in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016
Profit/(loss) before income tax	849,091	(1,248,946)
Disputed balance	(6,680,851)	(6,406,215)
Revised position - loss	**(5,831,760)**	**(7,655,161)**
Net assets	5,466,843	4,810,735
Disputed balance	(6,680,851)	(6,406,215)
Revised net asset	**(1,214,008)**	**(1,595,480)**

In addition the Company is presently involved in Seventeen (17) litigations as defendants with estimated claims of ₦626,642,476 (2016: ₦12,060,000). In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss at 31 December 2017.

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.

57 Contravention of laws and regulations

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

in Nigerian Naira	Penalty
Late filing of 2012-2015 annual account to Sec	30,925,000
Refilling of 2016 annual returns to NAICOM	500,000

58 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 ASSURANCE PLC

APPENDIX 1 - SUMMARISED REVENUE ACCOUNT - (NON-LIFE))

For the year ended 31 December 2017

in thousands of Nigerian Naira	General accident	Aviation & oil and gas	Bond	Marine	Motor	Fire	Dec 2017 Total	Dec 2016
Gross premium written	1,519,573	1,388,838	43,519	844,751	2,702,947	799,346	7,298,974	6,586,846
Changes in unexpired premium	(65,101)	(59,500)	(1,864)	(36,191)	(115,799)	(34,245)	(312,701)	73,901
Gross premium earned	1,454,472	1,329,338	41,655	808,560	2,587,147	765,101	6,986,273	6,660,747
Premiums ceded to reinsurers	(217,636)	(198,913)	(6,233)	(120,987)	(387,123)	(115,395)	(1,046,287)	(1,515,476)
Net premium earned	1,236,836	1,130,425	35,422	687,573	2,200,025	649,705	5,939,986	5,145,271
Commission received	32,294	24,418	1,277	20,470	45,323	18,467	142,249	312,481
Total underwriting income	1,269,130	1,154,843	36,699	708,043	2,245,348	668,172	6,082,235	5,457,752
Gross claims paid	436,623	387,948	-	235,966	755,021	223,283	2,038,841	1,487,494
Change in outstanding claims	42,747	37,981	-	23,102	73,919	21,860	199,609	(74,536)
Gross claim incurred	479,369	425,929	-	259,068	828,940	245,144	2,238,450	1,412,958
Reinsurance recoveries	64,403	57,223	-	34,806	111,368	32,935	300,735	253,039
Due from re-insurers	5,063	4,499	-	2,736	8,756	2,589	23,644	155,750
Gross recoveries	69,466	61,722	-	37,542	120,124	35,524	324,379	408,789
Net benefits and claims	409,903	364,207	-	221,526	708,816	209,619	1,914,071	1,004,169
Net income	859,227	790,636	36,699	486,517	1,536,531	458,553	4,168,163	4,453,584
UNDERWRITING EXPENSES								
Amortised deferred acquisition costs	(229,986)	(210,199)	(6,587)	(127,852)	(409,088)	(120,980)	(1,104,691)	(1,101,947)
Other underwriting expenses	(153,035)				(364,213)		(517,247)	(479,554)
Underwriting profit	476,207	580,437	30,112	358,665	763,231	337,573	2,546,225	2,872,083

MUTUAL BENEFITS ASSURANCE PLC

APPENDIX 2 - FIVE - YEAR FINANCIAL SUMMARY

Group - Statement of financial position *in thousands of Nigerian Naira*	31 Dec-2017	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013
ASSETS					
Cash and cash equivalents	8,345,638	10,734,374	14,016,106	13,207,978	3,702,341
Financial assets:					
Available-for-sale investment securities	849,524	849,374	694,036	549,418	825,933
Fair value through profit or loss	110,952	64,097	93,463	128,201	219,113
Loans and receivables	12,245,702	12,410,169	11,799,273	9,096,984	11,834,606
Held-to-maturity	16,840,317	8,214,636	-	-	-
Assets pledged as collateral	168,064	91,188	115,297	129,467	121,712
Trade receivables	629,280	462,616	208,703	66,515	316,894
Reinsurance assets	2,455,731	1,871,739	1,414,600	1,562,803	862,608
Other receivables	993,182	888,020	1,454,498	1,386,475	1,177,989
Deferred acquisition costs	485,283	340,338	322,609	260,153	361,815
Finance lease receivables	145,055	420,049	1,044,864	518,455	786,978
Inventories	907,822	1,332,864	1,533,164	3,020,272	3,574,848
Investment properties	8,566,000	8,726,390	8,731,665	6,984,764	1,846,398
Investments in associates	-	-	6,116	-	-
Intangible assets	43,994	73,531	89,646	99,133	26,393
Property, plant and equipment	3,922,931	4,024,297	3,850,522	5,905,509	5,436,785
Statutory deposit	500,000	500,000	500,000	500,000	500,000
Deposit for shares	480,588	460,588	417,587	515,479	371,255
Deferred tax assets	-	-	-	97,097	89,696
Goodwill	1,543	1,543	1,543	17,980	190,108
Total assets	57,691,606	51,465,813	46,293,692	44,046,683	32,245,472
LIABILITIES					
Insurance contract liabilities	10,299,090	7,401,872	6,087,972	5,194,547	5,558,453
Investment contract liabilities	26,564,221	25,956,771	24,217,581	20,857,951	14,936,770
Trade payables	2,858,296	1,270,219	816,655	81,322	178,284
Other liabilities	1,161,224	1,710,996	1,285,888	5,569,823	3,713,282
Deposit liabilities	259,268	203,845	509,867	485,281	277,369
Book overdraft	-	-	-	6,605	248,038
Borrowings	6,509,170	6,258,070	4,073,095	3,619,988	3,791,739
Current income tax liabilities	687,173	503,843	521,385	505,961	455,980
Deferred tax liabilities	1,063,084	1,147,429	1,136,079	1,237,469	701,262
Total liabilities	49,401,526	44,453,045	38,648,522	37,558,947	29,861,177
EQUITY					
Share capital	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Treasury shares	(250)	(250)	(250)	(250)	(250)
Foreign currency transalation reserve	911,064	906,502	184,491	127,775	14,606
Contingency reserve	2,801,764	2,533,160	2,292,040	1,942,418	1,436,756
Revaluation reserve	1,467,403	1,288,563	1,288,563	1,288,563	1,288,563
Accumulated losses	(1,079,247)	(1,838,814)	(246,829)	(893,909)	(4,597,996)
Shareholders's fund	8,100,734	6,889,161	7,518,015	6,464,597	2,141,679
Owners of the parent	8,100,734	6,889,161	7,518,015	6,464,597	2,141,679
Non-controlling interests in equity	189,346	123,607	127,154	23,139	242,616
Total equity	8,290,080	7,012,768	7,645,169	6,487,736	2,384,295
Total liabilities and equity	57,691,606	51,465,813	46,293,691	44,046,683	32,245,472

MUTUAL BENEFITS ASSURANCE PLC

APPENDIX 2 - FIVE - YEAR FINANCIAL SUMMARY

Group- Statement of profit or loss

in thousands of Nigerian Naira	**2017**	**2016**	**2015**	**2014**	**2013**
Gross premium written	14,037,879	12,143,610	14,598,070	15,451,048	8,125,494
Premium earned	13,352,960	11,982,537	13,801,208	15,535,631	7,680,854
Profit/(loss) before income tax	1,335,093	(1,068,666)	1,195,271	4,980,892	911,075
Income tax expense	(312,585)	(277,620)	(303,500)	(758,954)	(355,325)
Profit/(loss) after income tax	1,022,508	(1,346,286)	891,771	4,221,938	555,750
Transfer to contingency reserve	(268,604)	(241,120)	(349,622)	(505,662)	(184,147)
Earnings per share- Basic (kobo)	13	(17)	10	53	6.95
Earnings per share- Diluted (kobo)	13	(17)	10	53	6.95

APPENDIX 2 - FIVE - YEAR FINANCIAL SUMMARY

Company - Statement of financial position

in thousands of Nigerian Naira	31 Dec-2017	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013
ASSETS					
Cash and cash equivalents	3,249,277	3,804,953	4,111,237	5,273,617	1,127,905
Financial assets:					
Available-for-sale investment securities	21,553	21,553	1,000	10,000	-
Fair value through profit or loss	110,952	64,097	93,463	128,201	125,739
Loans and receivables	633,143	770,941	759,843	519,328	4,658,929
Held to maturity	4,457,954	2,030,905	-	-	-
Assets pledged as collateral	168,064	91,188	115,297	129,467	121,712
Trade receivables	278,159	102,994	64,769	23,443	247,225
Reinsurance assets	1,086,826	1,057,693	1,224,190	1,235,294	700,876
Other receivables	560,682	319,213	770,158	523,908	174,749
Deferred acquisition costs	312,182	235,053	261,798	208,844	295,460
Finance lease receivables	134,044	147,965	668,727	739,877	165,925
Investment properties	56,000	56,000	56,000	47,000	-
Investment in subsidiaries	4,000,000	4,000,000	2,000,000	2,000,000	2,655,138
Intangible assets	15,387	33,305	57,303	89,222	9,746
Property, plant and equipment	2,925,601	3,152,644	3,037,357	3,204,920	2,910,553
Statutory deposit	300,000	300,000	300,000	300,000	300,000
Deposit for shares	410,588	390,588	2,277,587	55,479	954,255
Total assets	18,720,412	16,579,092	15,798,729	14,488,600	14,448,212
LIABILITIES					
Insurance contract liabilities	4,352,606	3,822,730	3,971,168	3,364,254	3,768,829
Trade payables	1,028,272	452,495	277,749	383,215	44,074
Other liabilities	235,695	287,412	236,580	701,278	2,954,576
Book overdraft	-	-	-	6,605	7,670
Borrowings	6,509,170	6,258,070	4,073,095	3,562,515	3,731,443
Current income tax liabilities	422,005	217,733	317,932	248,738	202,778
Deferred tax liabilities	705,821	729,917	720,943	673,346	433,962
Total liabilities	13,253,569	11,768,357	9,597,467	8,939,951	11,143,332
EQUITY					
Share capital	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Treasury shares	(250)	(250)	(250)	(250)	(250)
Contingency reserve	2,398,485	2,179,515	1,981,910	1,665,665	1,216,911
Revaluation reserve	1,339,395	1,288,563	1,288,563	1,288,563	1,288,563
Accumulated losses	(2,270,787)	(2,657,093)	(1,068,961)	(1,405,329)	(3,200,344)
Shareholders's fund	5,466,843	4,810,735	6,201,262	5,548,649	3,304,880
Total liabilities and equity	18,720,412	16,579,092	15,798,729	14,488,600	14,448,212

MUTUAL BENEFITS ASSURANCE PLC

APPENDIX 3 (STATEMENT OF VALUE ADDED)

	GROUP				COMPANY			
in thousands of Nigerian Naira	2017		2016		2017		2016	
Gross premium written	14,037,879		12,143,610		7,298,974		6,586,846	
Net benefits and claims	(5,154,205)		(3,348,883)		(1,914,071)		(1,004,168)	
Premiums ceded to reinsurers	(1,885,655)		(1,711,110)		(1,046,287)		(1,515,476)	
Other charges and expenses	(5,255,290)		(7,418,194)		(3,416,805)		(5,068,104)	
Fees and commission	309,646		430,522		142,249		312,481	
	2,052,375		95,945		1,064,060		(688,421)	
Investment income	1,597,262		979,765		896,167		560,027	
Value added/(consumed)	3,649,637	100	1,075,710	100	1,960,227	100	(128,394)	100
Applied to pay:								
Employee benefits	1,939,809	53%	1,914,606	178%	846,284	43%	931,921	-726%
Government as tax	418,716	11%	266,270	25%	289,697	15%	132,607	-103%
Retained in the business:								
Contingency reserve	268,604	7%	241,120	22%	218,970	11%	197,605	-154%
Profit/(loss) for the year	1,036,481	28%	(1,350,866)	-126%	605,276	31%	(1,390,527)	1083%
Non-controlling interest	(13,973)	0%	4,580	0%	-		-	
Value added/(consumed)	3,649,637	100%	1,075,710	100%	1,960,227	100%	(128,394)	100%

Value added/(consumed) statement represents the wealth created/(consumed) by the efforts of the Group and its employees' efforts based on ordinary activities and the allocation of that wealth being created/(utilised) between employees, shareholders, government and that retained for the future creation of more wealth.