

NEW

MUTUAL BENEFITS LIFE ASSURANCE LIMITED
Lagos, Nigeria

**REPORT OF THE DIRECTORS
AND
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS

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MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

Chairman	Mr. Babatunde Dabiri Dr. Akin Ogunbiyi	Non-Executive Director (appointed W.E.F. 1 July 2016) Non-Executive Director (resigned W.E.F. 30 June 2016)
Directors	Mr. Femi Asenuga Mr. Olusegun Omosehin Mr. Gbenga Ogunko Mr. Soye Olatunji	Managing Director Non-Executive Director Non-Executive Director Non-Executive Director
Registered Office	Aret Adams House 233 Ikorodu Road, Ilupeju Lagos	
Auditors	Ernst & Young UBA House, 10 th and 13 th Floors 57 Marina, Lagos	
Company Secretary	Babajide Ibitayo (Esq) FRC/2013/NBA/0000003123	
Bankers	Access Bank Plc Heritage Bank Limited Fidelity Bank Plc First City Monument Bank Plc First Bank of Nigeria Limited Sterling Bank Plc Zenith Bank Plc Mutual Microfinance Bank Limited Ecobank Nigeria Plc Unity Bank Plc	
Actuaries	Alexander Forbes Nigeria Limited FRC/2012/0000000504	
RC No.	681998	

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2016

<i>in thousands of Nigerian Naira</i>	<u>GROUP</u>			<u>COMPANY</u>		
	2016	2015	%	2016	2015	%
STATEMENT OF PROFIT OR LOSS						
For the year ended						
Gross premium written	5,556,764	4,056,566	37%	4,351,455	3,337,711	30%
Gross premium income	5,321,790	3,570,717	49%	4,123,068	2,906,011	42%
Net premium income	5,126,156	3,463,940	48%	3,949,887	2,810,725	41%
Net underwriting income	5,244,197	3,486,993	50%	4,066,641	2,832,492	44%
Underwriting profit	1,315,942	1,055,421	25%	787,093	695,816	13%
Profit before income tax	186,385	149,745	24%	156,861	151,832	3%
Profit after income tax	50,346	94,897	-47%	70,094	107,246	-35%
Basic earnings per share (kobo)	18	50		28	71	

STATEMENT OF FINANCIAL POSITION	<u>2016</u>			<u>2015</u>		
	2016	2015	%	2016	2015	%
As at 31 December						
Total assets	38,973,403	34,653,237	12%	36,176,763	32,604,357	11%
Insurance contract liabilities	3,579,141	2,116,805	69%	3,210,013	1,844,111	74%
Investment contract liabilities	25,956,771	24,217,581	7%	25,944,127	24,208,510	7%
Shareholders' fund	6,078,419	3,310,642	84%	5,291,090	3,220,996	64%

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Board has the pleasure of presenting their report on the affairs of the Mutual Benefits Life Assurance Limited ("the Company") and its subsidiaries to the Shareholders together with 'the Group' Audited Financial Statements and the auditors report for the year ended 31 December 2016.

LEGAL STATUS AND PRINCIPAL ACTIVITY

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

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

BUSINESS REVIEW

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

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

MUTUAL Group's products and services are as follows:

LIFE INSURANCE PRODUCTS

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

OPERATING RESULTS

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

<i>in thousands of Nigerian Naira</i>	Group	Group	Company	Company
	2016	2015	2016	2015
Gross Premium Written	5,556,764	4,056,566	4,351,455	3,337,711
Profit before income tax	186,385	149,745	156,861	151,832
Income tax expense	(136,039)	(54,848)	(86,767)	(44,586)
Profit after income tax	50,346	94,897	70,094	107,246
Shareholders' funds	6,078,419	3,310,642	5,291,090	3,220,996

DIVIDENDS

The Board of Directors have not recommended any dividend for the year (2015: 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 (resigned w.e.f 30/6/16)
Mr. Babatunde Dabiri	Chairman (appointed w.e.f 1/7/16)
Mr. Femi Asenuga	Managing Director
Mr. Olusegun Omosehin	Non-Executive Director
Mr. Gbenga Ogunko	Non-Executive Director (resigned w.e.f 31/12/16)
Mr. Soye Olatunji	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.

	DIRECT	INDIRECT	DIRECT	INDIRECT
Dr. Akin Ogunbiyi	1,000,000	-	1,000,000	-

ACQUISITION OF OWN SHARES

The Company did not purchase its own share in the 2016 (2015: Nil).

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTEREST IN CONTRACTS

In compliance with Section 277 of the Companies and Allied Matters Act of Nigeria CAP C20 laws of the Federation of Nigeria, 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 31 to the consolidated and separate Financial Statements. In the Directors' opinion, the market value of the Group's properties 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.	
13 th 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 ₦878,000 (December 2015: ₦5,250,000) was given out as donations and charitable contributions during the year.

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

Organisations:	2016	2015
	₦	₦
Nigerian Baptist Convention	378,000	-
Nigerian Insurance Conference	500,000	-
Library support - Grange School	-	200,000
Nigeria Police Force	-	5,000,000
NCRIB PH Area Committee	-	50,000
TOTAL	878,000	5,250,000

MUTUAL BENEFITS LIFE ASSURANCE LIMITED**REPORT OF THE DIRECTORS - Continued****FOR THE YEAR ENDED 31 DECEMBER 2016****BENEFICIAL OWNERSHIP**

The following shareholders held 5% or more of the issued and paid up shares of the Company as at 31 December 2016:

Name of Holder	No. of Shares	Percentage of ₹1.00 Each Shareholding.
Mutual Benefits Assurance Plc	249,000,000	99.60

EVENT AFTER THE REPORTING DATE

As disclosed in Note 54, 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 2016.

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	91	65	58	42
Gender analysis of Board and Top Management is as follows:				
Board	5	-	100	-
Top Management	5	2	71.5	28.5

Gender Analysis

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

	Male Number	Female Number	Male %	Female %
Controller	3	1	66.6	33.3
Assistant General Manager	2	1	66.6	33.3
Deputy General Manager	1	-	100	-
Chief Executive Officer	1	-	100	-
Non-Executive Director	4	-	100	-

(ii). Employment of disabled persons

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

EMPLOYMENT AND HUMAN RESOURCES (HR) MATTERS - Continued

(iii). Employee Health Safety and Welfare

The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, free medical services are provided for the Company's employees through clinics on retainer 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

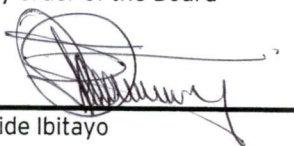
The Auditors, Messrs. Ernst & Young indicated their willingness to continue in office in compliance with NAICOM Corporate Governance regulation. Messrs. Ernst & Young were appointed as Auditor of the Company in compliance with section 357(1) of the Companies and Allied Matters Act of Nigeria, CAP C20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

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 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



Jide Ibitayo
Company Secretary

FRC/2013/NBA/00000003123

Aret Adams House
233 Ikorodu Road
Ilupeju
Lagos

Date:

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the overall functioning of the Company. The responsibilities of the Board include setting the Company's strategic objectives and policies, providing leadership to put them into effect, supervising the management of the business, ensuring implementation of decisions reached at the Annual General Meeting, ensuring value creation to shareholders and employees, determination of the terms of reference and procedures of all Board Committees, ensuring maintenance of ethical standard as well as compliance with the laws of Nigeria. The Board consists of five (5) Directors, made up of one (1) Executive Director and four (4) Non-Executive Directors, one of whom is the Chairman. The Directors are experienced stakeholders with diverse professional backgrounds in Insurance, Accounting, Commerce, Management, Engineering, Government etc. The Directors are 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 Acts CAP 20, Laws of the Federation of Nigeria 2004, the record of Director's attendance and meetings held during year 2016 is available for inspection at the Annual General Meeting. The meetings of the Board were presided over by the Chairman and the Board met four times during the year as detailed in the table below. 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 LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

(a) RECORD OF DIRECTOR'S ATTENDANCE

DIRECTORS	13.01.2016	20.04.2016	28.09.2016	13.12.2016	TOTAL
DR. AKIN OGUNBIYI (resigned w.e.f 30/06/16)	✓	✓	NA	NA	2
MR. BABATUNDE DABIRI (appointed w.e.f 01/07/16)	NA	NA	✓	✓	4
MR. ADESOYE OLATUNJI	✓	✓	✓	✓	4
MR. GBENGA OGUNKO	✓	✓	✓	✓	4
MR. OLUSEGUN OMOSEHIN	✓	✓	✓	✓	4
MR. FEMI ASENUGA	✓	✓	✓	✓	4

(b) COMMITTEES

The Board performed its functions through a total of five Standing Committees during the year under review.

The Committees have clearly defined responsibilities, scope of authority and procedures for reporting to the Board. Membership of these Committees is structured in such a manner as to take optimum advantage of the skills and experience of the Non-Executive Directors. The following are the standing Committees of the Company.

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 (LFN) 2004. The Committee has the oversight functions for the Company's Financial Statements. The Committee, however, is answerable to the Board. The Committee comprises three members namely; Mr. Soye Olatunji, Mr. Olusegun Omosihin and Mr. Gbenga Ogunko.

The Committee met five 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. Mr. Soye Olatunji chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	1.2.2016	26.02.2016	18.04.2016	3.5.2016	3.11.2016	TOTAL
MR. SOYE OLATUNJI	✓	✓	✓	✓	✓	5
MR. OLUSEGUN OMOSEHIN	✓	✓	✓	✓	✓	5
MR. GBENGA OGUNKO	✓	✓	✓	✓	✓	5

ii Finance And General Purposes Committee

The Finance and General Purposes Committee comprises three members namely: Mr Olusegun Omosihin, Mr Adesoye Olatunji, Mr Gbenga Ogunko, also in attendance is Mr Femi Asenuga.

The Committee met five (5) 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 Segun Omosihin Chaired the Committee during the year under review. The records of attendance at the meetings are as follows:

MEMBERS	13.01.2016	26.02.2016	4.5.2016	28.09.2016	18.11.2016	TOTAL
MR. OLUSEGUN OMOSEHIN	✓	✓	✓	✓	✓	5
MR. ADESOYE OLATUNJI	✓	✓	✓	✓	✓	5
MR. GBENGA OGUNKO	✓	✓	✓	✓	✓	5

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

iii. Establishment/Governance Committee

The Establishment/Governance Committee comprises three members: Mr Soye Olatunji, Mr Segun Omosehina and Mr Gbenga Ogunko.

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

MEMBERS			9.3.2016	13.12.2016	TOTAL
MR SOYE OLATUNJI			✓	✓	2
MR. OLUSEGUN OMOSEHIN			✓	✓	2
MR. GBENGA OGUNKO			✓	✓	2

iv. Technical/Risk Management Committee

The Technical/Risk Management Committee met four 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		22.01.2016	7.4.2016	7.7.2016	10.11.2016	TOTAL
MR SEGUN OMOSEHIN		✓	✓	✓	✓	4
MR SOYE OLATUNJI		✓	✓	✓	✓	4
MR GBENGA OGUNKO		✓	✓	✓	✓	4
MR. FEMI ASENUGA		✓	✓	✓	✓	4

v. Public Accounts & Business Development Committee

The Public Accounts & Business Development Committee comprises four members namely: Dr. Akin Ogunbiyi, Mr Olusegun Omosehina, Mr Gbenga Ogunko and Mr Femi Asenuga.

The Committee met three times to facilitate the access of the Company to potential clients. They are also available for consultation by the Management in areas where their collective experience garnered over the years from different fields of endeavours are required. The records of attendance at the meetings are as follows:

MEMBERS			13.01.2016	17.04.2016	13.10.2016	TOTAL
DR. AKIN OGUNBIYI			✓	✓	☒	2
MR. OLUSEGUN OMOSEHIN			✓	✓	✓	3
MR. GBENGA OGUNKO			✓	✓	✓	3
MR. FEMI ASENUGA			✓	✓	✓	3

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

(C) Enterprise Risk Management

i. Introduction and Overview

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

ii. Enterprise-wide Risk Management Principles

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

To ensure effective and economic development of resources, we operate strictly by the following principles:

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

iii. Approach to Risk Management

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

iv. The Board

The Board sets the organisation's objectives, risk appetite and approves the strategy for managing risk. There is a Board Committee on 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 auditors
- 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

(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 LIFE ASSURANCE LIMITED

REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2016

To the members of Mutual Benefits Life Assurance Limited

In accordance with International Financial Reporting Standards, the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011, the 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 2016 were satisfactory and reinforce the Company's Internal Control Systems.
- We confirm that the accounting and reporting policies of the Group are in accordance with legal requirements and agreed ethical practices.
- We are satisfied with the Management's responses to the external auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and Internal Control.
- We acknowledge the co-operation of Management and staff in the conduct of statutory responsibilities.

SOYE OLATUNJI

Chairman, Audit Committee

FRC/2013/ICAN/0000004720

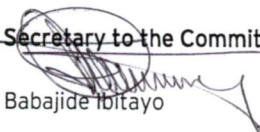


Members of the Statutory Audit Committee are:

- 1 Soye Olatunji
- 2 Olusegun Omosehin
- 3 Olugbenga Ogunko

Secretary to the Committee

Babajide Ibitayo



MUTUAL BENEFITS LIFE ASSURANCE LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2016

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, state of financial affairs of the Group at the end of the year and of its profit or loss. 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, the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.
- d) The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards, the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Group and of its profit or loss. 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.



BABATUNDE DABIRI
Chairman
FRC/2014/ODN/00000009227



FEMI ASEUGA
Managing Director/CEO
FRC/2013/CIIN/000000003104

Date:

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

Report on the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Mutual Benefits Life Assurance Limited and its subsidiaries (the Group) set out on pages 19 to 125, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements of Mutual Benefits Life Assurance Limited and its subsidiaries present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and of the financial performance and cash flows of the Company and the Group for the year then ended and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

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 Life Assurance Limited and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Mutual Benefits Life Assurance Limited and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the Consolidated and Separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



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

Responsibilities of the Directors for the Consolidated and Separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate 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 LIFE ASSURANCE LIMITED - Continued

Auditors' Responsibilities for the Audit of the Consolidate and Separate Financial Statements - Continued

- * Evaluate the overall presentation, structure and content of the consolidated and separate 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, we confirm that:

- i we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;
- iii the Company and the group's 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 so as to give a true and fair view of the state of affairs and financial performance.

Penalty

The Company incurred penalties in respect of contraventions of the requirement of certain sections of the National insurance Commission's Operational Guideline 2011 during the financial year. The details of the contraventions and penalties are disclosed in note 53 of the consolidated and separate financial statements.

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

For: Ernst & Young
Lagos, Nigeria

Date:



MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

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

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

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

The principal activities of the subsidiaries and information of the Group's structure are disclosed in Note 29. Information on other related party relationships of the Group is provided in Note 51.

The consolidated and separate financial statements of the Company and its subsidiaries were authorised for issue by the Board of Directors on 20 March 2017.

Going Concern

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

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

2. Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

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

2.2 Basis of presentation and compliance with IFRS

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.2 Basis of presentation and compliance with IFRS - Continued

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) 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 2.36.

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 financial statements comprise the financial statements of the Group and its investees that are considered subsidiaries as at 31 December 2016. 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, non-controlling 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.3 Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.4 Foreign currency translation

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

2.3.4.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rate prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

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

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

2.3.4.2 Group companies

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

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

2.3.5 Segment information

For management purposes, the Group is organised into business units based on their products and services and has four 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 2016 and 2015.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.6 Revenue recognition

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

2.3.6.1 Gross premiums

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

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as noclaim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

2.3.6.2 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 income statement as incurred. Premiums are recognised as revenue when they become payable by the contract holders. Premiums are shown before deduction of commission.

2.3.6.3 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.

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.

2.3.6.4 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.6.5 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

2.3.6.7 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.

2.3.6.8 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 Benefits, claims and expenses recognition

2.3.7.1 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.

2.3.7.2 Reinsurance claims

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

2.3.7.3 Underwriting expenses

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

2.3.7.4 General administrative expenses

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

2.3.7.5 Finance costs

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.8 Cash and cash equivalents

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

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

2.3.9 Financial Instruments

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

2.3.9.1 Financial assets

2.3.9.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale (AFS) financial assets. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. 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 marketplace (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.

2.3.9.1.2 Subsequent measurement

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

- ▶ AFS financial assets
- ▶ Loans and receivables

i. Available-for-sale financial assets

AFS financial assets include equity securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

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. 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

i. Available-for-sale financial assets - Continued

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.

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.

2.3.9.1.3 Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9.1.4 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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.9.2 Financial liabilities

2.3.9.2.1 Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value.

The Group's financial liabilities include trade payables, other accrual and payables.

2.3.9.2.2 Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification.

i. Payables and other payables

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

2.3.9.2.3 Derecognition of financial liabilities

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

2.3.10 Deposit liabilities

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

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

2.3.11 Fair value measurement

The Group measures financial instruments, non-financial assets and investment property 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.11 Fair value measurement - Continued

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 reporting year.

The Group's management determines the policies and procedures for recurring fair value measurement, such as investment properties.

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

For this analysis, the management 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 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 disclosed in Note 3.5.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.11 Fair value measurement - Continued

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.

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.

2.3.12 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. 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 companies or other available fair value indicators.

For assets, 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.3.12 Impairment of non-financial assets - Continued

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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Intangible assets

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

2.3.13 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 an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect 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.

2.14 Reinsurance assets

2.14.1 Reinsurance ceded to reinsurance counterparties

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

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.14.2 Prepaid reinsurance

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

2.15 Other receivables and prepayments

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.

2.16 Deferred expenses and revenue

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing 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 life insurance are amortized over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortized in the same manner as the underlying asset amortization is recorded in the 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.

2.17 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.18 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.

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. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. All other leases are considered finance leases.

Advances to customers under finance lease

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

2.19 Investment properties

Investment properties are measured initially at cost, including transaction costs. 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 statement of profit or loss in the year in which they arise, including the corresponding tax effect. 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 statement of 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. 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 change in use.

2.20 Investments in subsidiaries

Investments in subsidiaries are carried in the separate's statement of financial position at cost less allowance for impairment losses. Where, there has been impairment in the value of an investment 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.21 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 intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of 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 and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify 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 statement of profit or loss (other operating and administrative expenses).

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU 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 de-recognition 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 statement of profit or loss when the asset is derecognised.

2.22 Property, plant and equipment

Property and equipment, including owner-occupied property, 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 capitalised when incurred, 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.

Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets.

Leasehold building	over the remainder of the life of the lease
Furniture and fittings	20%
Plant and machinery	20%
Motor vehicles	25%
Computer and office equipment	20%
Work-in-progress	Nil

An item of property and equipment is derecognised 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 statement of profit or loss in the year the asset is derecognized.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.23 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 amortised cost in the statement of financial position being 10% of the statutory minimum capital requirement of ₦2 billion for life insurance business. Interest income on the deposit is recognised in the statement of profit or loss in the period the interest is earned.

2.24 Deposit for shares

Deposit for shares are amounts that the Group 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.

2.25 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (CGUs) or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.26 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:

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.26.1 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. It is 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.

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".

(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.

(iii) Reserves for unexpired risk

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.27 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices 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. Investment contracts with guaranteed returns (interest linked) and other business of a savings nature are recognised as liabilities. Interest accruing to the life assured from investment of the savings is recognised in the statement of profit or loss account in the year it is earned while interest due to depositors is recognised as an expense. The net result of the deposit administration revenue account is transferred to the statement of profit or loss.

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.

2.28 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.

2.29 Taxes

2.29.1 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.

2.29.2 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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.29.2 Deferred tax

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.

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.

2.30 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.31 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.

2.32 Equity

2.32.1 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 shown in equity 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.

2.32.2 Foreign currency translation reserve

The assets and liabilities of foreign operations are translated to Naira at closing 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.

2.32.3 Contingency reserves

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.

2.33 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.

2.34 Retirement obligations and Employee benefits

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

2.34.1 Defined contribution pension scheme

The Group operates a defined contributory pension scheme for eligible employees. Group contributes 10% of the employees' Basic Housing and Transport allowances in line with the provisions of the Pension Reform Act 2014 as amended. The Group pays the contributions to a pension fund administrator. The Group 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.

2.34.2 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 Group.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.35 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 2016. 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 2016, they did not have a material impact on the annual consolidated financial statements of the Group.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.35 Changes in accounting policy and disclosures- continued

New and amended standards and interpretations - continued

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements must apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.35 Changes in accounting policy and disclosures- continued

New and amended standards and interpretations - continued

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.36 Significant accounting judgments, estimates and assumptions

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

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

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

Judgements

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

Operating lease commitments - Group as lessor

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a. Valuation of insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.36 Significant accounting judgments, estimates and assumptions - Continued

The Group bases mortality and morbidity on mortality of assured lives SA 1956-62, ultimate tables published on behalf of the Actuarial Society of South Africa (ASSA) mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current market risk rates, adjusted for the Group's own risk exposure.

2.37 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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The group plans to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.37 Standards issued but not yet effective - Continued

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. During 2016, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. The Group intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 fully retrospective. Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Group does not expect the impact to be significant.

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 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2.37 Standards issued but not yet effective - Continued

**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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2016

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Gross premium written	4.1	5,556,764	4,056,566	4,351,455	3,337,711
Gross premium income	4	5,321,790	3,570,717	4,123,068	2,906,011
Premiums ceded to reinsurers	4.2	(195,634)	(106,777)	(173,181)	(95,286)
Net premium income	4.3	5,126,156	3,463,940	3,949,887	2,810,725
Fee and commission income	5	118,041	23,053	116,754	21,767
Net underwriting income		5,244,197	3,486,993	4,066,641	2,832,492
Net benefits and claims	6	2,344,716	1,250,060	1,850,262	1,051,985
Changes in individual life fund		(161,532)	(3,273)	(161,532)	(3,273)
Changes in annuity reserve		354,038	30,633	354,038	30,633
Underwriting expenses		1,391,033	1,154,152	1,236,780	1,057,331
Net underwriting expenses		3,928,255	2,431,572	3,279,548	2,136,676
Underwriting profit		1,315,942	1,055,421	787,093	695,816
Profit on investment contracts	8	819,091	782,150	819,091	782,150
Investment income	9	406,147	124,879	492,251	234,633
Fair value (loss)/gain on investment properties	10	(5,275)	151,651	(5,275)	116,651
Other income	11	197,527	290,252	45,516	8,756
Impairment charge no longer required	12	33,435	-	-	160,702
Impairment charges	13	(10,574)	(25,895)	(10,574)	-
Employee benefit expenses	14	(982,685)	(984,243)	(727,911)	(745,011)
Other management expenses	15	(1,714,527)	(1,464,513)	(1,243,330)	(1,101,865)
Operating profit/ (Loss)		59,081	(70,298)	156,861	151,832
Finance costs	16	(27,681)	(29,848)	-	-
Finance income	17	154,985	249,891	-	-
Profit before income tax		186,385	149,745	156,861	151,832
Income tax expenses	18	(136,039)	(54,848)	(86,767)	(44,586)
Profit for the year		50,346	94,897	70,094	107,246
Profit attributable to:					
Owners of the parent		45,766	75,591	70,094	107,246
Non-controlling interests		4,580	19,306	-	-
		50,346	94,897	70,094	107,246
Earnings per share:					
Earnings per share for profit attributable to equity holders of parent					
Basic (kobo)	19.1	18	50	28	71

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	2016	2015	2016	2015
Profit for the year	50,346	94,897	70,094	107,246
Other comprehensive income:				
Items that may be reclassified to the profit or loss in subsequent period:				
Foreign currency translation gain	722,011	60,132	-	-
	722,011	60,132	-	-
Total comprehensive income for the year	772,357	155,029	70,094	107,246
Total comprehensive income attributable to:				
Owners of the parent	767,777	132,307	70,094	107,246
Non-controlling interests	4,580	22,722	-	-
	772,357	155,029	70,094	107,246

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016 in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
ASSETS					
Cash and cash equivalents	20	6,929,420	9,904,869	6,157,695	9,410,464
Financial assets:					
Available-for-sale investment securities	21.1	827,822	693,036	716,472	609,036
Loans and receivables	21.2	11,639,228	11,039,430	11,193,259	11,034,276
Held-to-maturity	21.3	6,183,731	-	6,183,731	-
Trade receivables	22	359,622	143,934	-	-
Reinsurance assets	23	814,046	190,411	771,068	185,776
Other receivables and prepayments	24	655,490	848,728	521,088	534,055
Finance lease receivables	26	272,084	376,138	181,810	317,930
Deferred acquisition costs	25	105,285	60,811	105,285	60,811
Inventories	27	1,332,864	1,533,164	-	-
Investment properties	28	8,670,390	8,675,665	8,670,390	8,675,665
Investments in subsidiaries	29	-	-	896,981	896,981
Intangible assets	30	40,224	32,342	3,603	5,870
Property, plant and equipment	31	871,654	813,166	505,381	533,493
Deposit for investment in equity shares	33	70,000	140,000	70,000	140,000
Goodwill	34	1,543	1,543	-	-
Statutory deposit	32	200,000	200,000	200,000	200,000
Total assets		38,973,403	34,653,237	36,176,763	32,604,357
LIABILITIES					
Insurance contract liabilities	35	3,579,141	2,116,805	3,210,013	1,844,111
Investment contract liabilities	36	25,956,771	24,217,581	25,944,127	24,208,510
Trade payables	37	238,495	101,230	174,090	77,190
Other liabilities	38	2,089,502	1,651,370	1,283,606	1,064,107
Deposit liabilities	39	203,845	509,867	-	-
Deposit for shares	40	-	2,000,000	-	2,000,000
Income tax liabilities	41	286,110	203,452	215,791	135,183
Deferred tax liabilities	42.2	417,513	415,136	58,046	54,260
Total liabilities		32,771,377	31,215,441	30,885,673	29,383,361
EQUITY					
Share capital	43.2	250,000	150,000	250,000	150,000
Share premium	44	3,750,000	1,850,000	3,750,000	1,850,000
Foreign currency translation reserve	45	906,502	184,491	-	-
Contingency reserve	46	353,645	310,130	353,645	310,130
Retained earnings	47	818,272	816,021	937,445	910,866
Total ordinary shareholders' equity		6,078,419	3,310,642	5,291,090	3,220,996

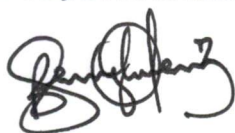
MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION - Continued

As at 31 December 2016

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Owners of the parent		6,078,419	3,310,642	5,291,090	3,220,996
Non-controlling interests in equity	48	123,607	127,154	-	-
Total equity		6,202,026	3,437,796	5,291,090	3,220,996
Total liabilities and equity		38,973,403	34,653,237	36,176,763	32,604,357

The consolidated and separate financial statements and accompanying summary of significant accounting policies and notes to the financial statements were approved and authorised for issue by the Board of Directors on 20 March 2017 and were signed on its behalf by:



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



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



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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY

Company

For the year 31 December 2016
in thousands of Nigerian Naira

	Share capital	Share premium	Contingency reserve	Retained earnings	Total
As at 1 January 2015	150,000	1,850,000	276,753	836,997	3,113,750
Total comprehensive income for the year:					
Profit for the year	-	-	-	107,246	107,246
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	107,246	107,246
<i>Transactions with owners of equity</i>					
Transfer to contingency reserve	-	-	33,377	(33,377)	-
Total transactions with owners of equity	-	-	33,377	(33,377)	-
As at 31 December 2015	150,000	1,850,000	310,130	910,866	3,220,996
Profit for the year	-	-	-	70,094	70,094
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	70,094	70,094
<i>Transactions with owners of equity</i>					
Issue of share capital	100,000	1,900,000	-	-	2,000,000
Transfer to contingency reserve	-	-	43,515	(43,515)	-
Total transactions with owners of equity	100,000	1,900,000	43,515	(43,515)	2,000,000
As at 31 December 2016	250,000	3,750,000	353,645	937,445	5,291,090

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2016

in thousands of Nigerian Naira

	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Cash flows from operating activities					
Cash received from insurance contract policy holders		5,482,628	4,079,096	4,493,007	3,461,103
Cash received from investment contract policy holders	36	12,338,438	12,862,465	12,338,438	12,862,465
Cash withdrawal by investment contract policy holders	36	(12,227,691)	(10,625,331)	(12,231,264)	(10,623,703)
Fees and commission received	5	118,041	23,053	116,754	21,767
Reinsurance paid	23.3	(605,716)	(107,034)	(596,577)	(92,976)
Claims paid	6	(1,732,675)	(1,569,240)	(1,238,222)	(1,371,166)
Claims recovered from co-insurance	23.2	203,024	199,440	199,559	199,440
Commission paid		(467,235)	(339,557)	(343,837)	(262,894)
Payments to employees		(982,685)	(984,243)	(727,911)	(745,011)
Other cash received		352,512	532,040	11,759	653
Investment income		406,147	124,879	492,251	234,633
Net cash paid to brokers, suppliers and other providers of services		(1,305,208)	(3,636,712)	(1,564,080)	(3,379,960)
Income tax paid	41	(51,004)	(79,737)	(2,373)	(61,539)
Net cash flows from operating activities	49	1,528,576	479,118	947,504	242,812
Investing activities:					
Purchase of property, plant and equipment	31	(202,155)	(241,105)	(162,505)	(197,599)
Proceeds from sale of property, plant and equipment		8,386	88,703	11,851	-
Proceeds from sale of investment properties	28	-	525,000	-	525,000
Receipts on finance lease receivables		155,381	192,213	155,381	192,213
Additions to finance lease receivables		-	(103,000)	-	(103,000)
Receipts on loans and advances		1,691,491	-	1,944,974	404,213
Additions to loans and advances		-	-	-	(237,500)
Purchase of Held to maturity financial assets		(6,183,731)	-	(6,183,731)	-
Purchase of available-for-sale investments	21.1.2	-	(330,000)	-	(330,000)
Purchase of investment property	28	-	(666,250)	-	(666,250)
Purchase of intangible assets	30	(9,128)	(48,759)	-	(1,166)
Net cash flows used in investing activities		(4,539,756)	(583,197)	(4,234,030)	(414,089)
Financing activities					
Proceeds from deposit for shares	40	-	2,000,000	-	2,000,000
Net cash flows from financing activities		-	2,000,000	-	2,000,000
Net (decrease)/increase in cash and cash equivalents		(3,011,180)	1,895,922	(3,286,526)	1,828,723
Effects of exchange rate changes on cash and cash equivalents		35,731	8,103	33,757	8,103
Cash and cash equivalents as 1 January		9,904,869	8,000,844	9,410,464	7,573,638
Cash and cash equivalents at 31 December	20.1	6,929,420	9,904,869	6,157,695	9,410,464
			9,904,869		9,410,464

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3.1 Management of Insurance and financial risks

3.1.1 Insurance risks management

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

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

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

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

(a) Life insurance contracts

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

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

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

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

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

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

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(a) *Life insurance contracts - Continued*

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

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

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

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

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

<i>in thousands of Nigerian Naira</i>	GROUP			COMPANY		
	31 Dec-2016			31 Dec-2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Whole life and term assurance	3,329,739	771,068	2,558,671	3,189,928	771,068	2,418,860
Credit Life Assurance Scheme	20,085	-	20,085	20,085	-	20,085
Total	3,349,824	771,068	2,578,756	3,210,013	771,068	2,438,945
	31 Dec-2015			31 Dec-2015		
Whole life and term assurance	2,012,141	189,220	1,822,921	1,839,891	185,776	1,654,115
Credit Life Assurance Scheme	4,220	-	4,220	4,220	-	4,220
Total	2,016,361	189,220	1,827,141	1,844,111	185,776	1,658,335

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

<i>in thousands of Nigerian Naira</i>	GROUP			COMPANY		
	31 Dec-2016			31 Dec-2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Nigeria	3,210,013	771,068	2,438,945	3,210,013	771,068	2,438,945
Liberia	139,811	-	139,811	-	-	-
Niger Republic	-	-	-	-	-	-
Total	3,349,824	771,068	2,578,756	3,210,013	771,068	2,438,945
	31 Dec-2015			31 Dec-2015		
Nigeria	1,844,111	185,776	1,658,335	1,844,111	185,776	1,658,335
Liberia	172,250	3,444	168,806	-	-	-
Niger Republic	-	-	-	-	-	-
Total	2,016,361	189,220	1,827,141	1,844,111	185,776	1,658,335

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(a) *Life insurance contracts - Continued*

Key assumptions

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

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

► **Mortality and morbidity rates**

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

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

► **Longevity**

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

► **Lapse and surrender rates**

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

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

► **Discount rate**

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(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-2016		GROUP				COMPANY			
<i>in thousands of Nigerian Naira</i>	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	20,396	19,676	19,676	13,773
Longevity	+10%	19,636	19,636	19,636	13,746	19,636	19,636	19,636	13,746
Lapse and surrenders rate	+10%	-	-	-	-	-	-	-	-
Discount rate	+1%	(29,290)	(29,290)	(29,290)	(20,503)	(29,290)	(29,290)	(29,290)	(20,503)
Mortality/morbidity rate	-10%	(20,396)	(19,676)	(19,676)	(13,773)	(20,396)	(19,676)	(19,676)	(13,773)
Longevity	-10%	(19,636)	(19,636)	(19,636)	(13,746)	(19,636)	(19,636)	(19,636)	(13,746)
Lapse and surrenders rate	-10%	-	-	-	-	-	-	-	-
Discount rate	-1%	31,932	31,932	31,932	22,353	31,932	31,932	31,932	22,353
31 Dec-2015		GROUP				COMPANY			
<i>in thousands of Nigerian Naira</i>	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%	30,425	30,342	30,342	21,239	30,425	30,342	30,342	21,239
Longevity	+10%	2,652	2,652	2,652	1,856	2,652	2,652	2,652	1,856
Lapse and surrenders rate	+10%	-	-	-	-	-	-	-	-
Discount rate	+1%	(11,130)	(11,130)	(11,130)	(7,791)	(11,130)	(11,130)	(11,130)	(7,791)
Mortality/morbidity rate	-10%	(30,425)	(30,342)	(30,342)	(21,239)	(30,425)	(30,342)	(30,342)	(21,239)
Longevity	-10%	(2,652)	(2,652)	(2,652)	(1,856)	(2,652)	(2,652)	(2,652)	(1,856)
Lapse and surrenders rate	-10%	-	-	-	-	-	-	-	-
Discount rate	-1%	12,163	12,163	12,163	8,514	12,163	12,163	12,163	8,514

For the year ended 31 December 2016

3.1.2 *Financial risk management*

Introduction and overview

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

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

(a) **Credit risk**

Mutual Benefits Life 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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(a) *Credit risk continued*

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.

<i>in thousands of Nigerian Naira</i>	Group		Company	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Cash and cash equivalents	6,928,345	9,903,137	6,157,695	9,408,009
Loans and receivables	11,639,228	11,039,430	11,193,259	11,034,276
Held-to-maturity	6,183,731	-	6,183,731	-
Trade receivables	359,622	143,934	-	-
Reinsurance assets	107,143	114,758	64,165	110,123
Finance lease receivables	272,084	376,138	181,810	317,930
Other receivables	279,234	460,011	174,979	200,637
Statutory deposit	200,000	200,000	200,000	200,000
Deposit for investment in equity shares	70,000	140,000	70,000	140,000
	26,039,387	22,377,408	24,225,639	21,410,975

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 2016	Group				Company					
	Financial services	Real estate	Oil & Gas sector	Other	Total	Financial services	Real estate	Oil & Gas sector	Other	Total
Cash and cash equivalents	6,928,345	-	-	-	6,928,345	6,157,695	-	-	-	6,157,695
Loans and advances	-	-	10,010,310	1,628,918	11,639,228	-	1,050,496	10,010,310	132,453	11,193,259
Held-to-maturity	6,183,731	-	-	-	6,183,731	6,183,731	-	-	-	6,183,731
Trade receivables	359,622	-	-	-	359,622	-	-	-	-	-
Reinsurance assets	107,143	-	-	-	107,143	64,165	-	-	-	64,165
Other receivables	-	-	-	279,234	279,234	-	-	-	174,979	174,979
Finance lease receivables	-	-	-	272,084	272,084	-	-	-	181,810	181,810
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	70,000	-	70,000	-	-	70,000	-	70,000
	13,778,841	-	10,080,310	2,180,236	26,039,387	12,605,591	1,050,496	10,080,310	489,242	24,225,639

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(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 2015	Group					Company				
	Financial services	Real estate	Oil & Gas sector	Other	Total	Financial services	Real estate	Oil & Gas sector	Other	Total
Cash and cash equivalents	9,903,137	-	-	-	9,903,137	9,408,009	-	-	-	9,408,009
Loans and advances	-	-	9,591,640	1,447,790	11,039,430	-	1,303,978	9,591,640	138,658	11,034,276
Trade receivables	143,934	-	-	-	143,934	-	-	-	-	-
Reinsurance assets	114,758	-	-	-	114,758	110,123	-	-	-	110,123
Other receivables	-	-	-	460,011	460,011	-	-	-	200,637	200,637
Finance lease receivables	-	-	-	376,138	376,138	-	-	-	317,930	317,930
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	-	70,000	70,000	140,000	-	-	70,000	70,000	140,000
	10,361,829	-	9,661,640	2,353,939	22,377,408	9,718,132	1,303,978	9,661,640	727,225	21,410,975

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:

in thousands of Nigerian Naira

31 December 2016	Group					Company				
	Investment grade	Non investment grade satisfactory	Non investment grade unsatisfactory	Past due but not impaired	Total	Investment grade	Non investment grade satisfactory	Non investment grade unsatisfactory	Past due but not impaired	Total
Cash and cash equivalents	6,928,345	-	-	-	6,928,345	6,157,695	-	-	-	6,157,695
Loans and advances	11,639,228	-	-	-	11,639,228	10,142,763	1,050,496	-	-	11,193,259
Held-to-maturity	6,183,731	-	-	-	6,183,731	6,183,731	-	-	-	6,183,731
Trade receivables	359,622	-	-	-	359,622	-	-	-	-	-
Reinsurance assets	80,357	-	-	26,786	107,143	54,540	-	-	9,625	64,165
Other receivables	279,234	-	-	-	279,234	174,979	-	-	-	174,979
Finance lease receivables	272,084	-	-	-	272,084	181,810	-	-	-	181,810
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	70,000	-	-	70,000	-	70,000	-	-	70,000
	25,942,601	70,000	-	26,786	26,039,387	23,095,518	1,120,496	-	9,625	24,225,639

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(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:

in thousands of Nigerian Naira

31 December 2015	Group					Company				
	Investment grade	Non investment grade satisfactory	Non investment grade unsatisfactory	Past due but not impaired	Total	Investment grade	Non investment grade satisfactory	Non investment grade unsatisfactory	Past due but not impaired	Total
Cash and cash equivalents	9,903,137	-	-	-	9,903,137	9,408,009	-	-	-	9,408,009
Loans and advances	11,039,430	-	-	-	11,039,430	9,730,298	1,303,978	-	-	11,034,276
Trade receivables	143,934	-	-	-	143,934	-	-	-	-	-
Reinsurance assets	81,478	-	-	33,280	114,758	90,851	-	-	19,272	110,123
Other receivables	460,011	-	-	-	460,011	200,637	-	-	-	200,637
Finance lease receivables	376,138	-	-	-	376,138	317,930	-	-	-	317,930
Statutory deposit	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Deposit for shares	-	140,000	-	-	140,000	-	140,000	-	-	140,000
	22,204,128	140,000	-	33,280	22,377,408	19,947,725	1,443,978	-	19,272	21,410,975

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 to 90 days	Total past-due but not impaired	< 30 days	31 to 60 days	61 to 90 days	Total past-due but not impaired
Trade receivables	-	-	-	-	-	-	-	-
Reinsurance assets	20,089	6,696	-	26,786	7,700	1,925	-	9,625
	20,089	6,696	-	26,786	7,700	1,925	-	9,625
31 December 2015								
Trade receivables	-	-	-	-	-	-	-	-
Reinsurance assets	26,624	6,656	-	33,280	16,381	2,891	-	19,272
	26,624	6,656	-	33,280	16,381	2,891	-	19,272

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(a) *Credit risk - continued*

Impaired financial assets

At 31 December 2016, there are impaired loans and receivables of ₦29,118,000 (2015: ₦62,553,000) and no impaired trade receivables (2015: 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

	<i>Group</i>		<i>Company</i>	
	<i>Dec-16</i>	<i>Dec-15</i>	<i>Dec-16</i>	<i>Dec-15</i>
At 1 January	62,553	36,658	-	160,702
Charge for the year	-	25,895	-	-
Recoveries	(33,435)	-	-	(160,702)
	<u>29,118</u>	<u>62,553</u>	<u>-</u>	<u>-</u>

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(b) Liquidity risk

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

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

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

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

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

Group	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
31 December 2016 <i>in thousands of Nigerian Naira</i>							
Cash and cash equivalents	6,929,420	7,968,833	-	-	-	-	7,968,833
Loans and advances	11,639,228	1,126,548	1,876,548	12,155,373	914,250	-	16,072,718
Held-to-maturity financial assets	6,183,731	-	6,740,267	-	-	-	6,740,267
Trade receivables	359,622	359,622	-	-	-	-	359,622
Reinsurance assets	338,194	107,143	-	-	-	231,051	338,194
Other receivables	149,386	149,386	-	-	-	-	149,386
Finance lease receivables	272,084	165,971	165,971	-	-	-	331,942
Statutory deposit	200,000	12,000	12,000	96,000	-	200,000	320,000
Total financial assets	26,071,665	9,889,503	8,794,786	12,251,373	914,250	431,051	32,280,963
Investment contract liabilities	25,956,771	5,835,432	5,835,432	16,908,674	411,649	-	28,991,186
Insurance contract liabilities	2,156,727	1,434,659	-	-	-	722,068	2,156,727
Trade payables	155,961	155,961	-	-	-	-	155,961
Other liabilities	222,430	222,430	-	-	-	-	222,430
Deposit liabilities	203,845	234,422	-	-	-	-	234,422
Total financial liabilities	28,695,734	7,882,903	5,835,432	16,908,674	411,649	722,068	31,760,725
Total liquidity gap	(2,624,069)	2,006,600	2,959,354	(4,657,301)	502,601	(291,017)	520,237

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. Also, as at 31 December 2016, the Group held inventories (construction in progress) of ₦1.3 billion which are available for immediate sale on completion within twelve months.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(b) Liquidity risk - continued

Company 31 December 2016 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	6,157,695	7,081,349	-	-	-	-	7,081,349
Loans and advances	11,193,259	1,358,175	2,108,175	12,131,999	-	-	15,598,348
Held-to-maturity financial assets	6,183,731	-	6,740,267	-	-	-	6,740,267
Reinsurance assets	295,216	64,165	-	-	-	231,051	295,216
Other receivables	152,168	152,168	-	-	-	-	152,168
Finance lease receivables	181,810	110,904	110,904	-	-	-	221,808
Statutory deposit	200,000	12,000	12,000	96,000	-	200,000	320,000
Total financial assets	24,363,879	8,778,761	8,971,346	12,227,999	-	431,051	30,409,157
Investment contract liabilities	25,944,127	5,835,432	5,835,432	16,896,030	411,649	-	28,978,542
Insurance contract liabilities	2,025,882	1,303,814	-	-	-	722,068	2,025,882
Trade payables	135,850	135,850	-	-	-	-	135,850
Other liabilities	279,979	279,979	-	-	-	-	279,979
Total financial liabilities	28,385,838	7,555,074	5,835,432	16,896,030	411,649	722,068	31,420,253
Total liquidity gap	(4,021,959)	1,223,687	3,135,914	(4,668,031)	(411,649)	(291,017)	(1,011,096)

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(b) Liquidity risk - continued

Group 31 December 2015 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	No maturity date	Gross total
Cash and cash equivalents	9,904,869	10,177,253	-	-	-	-	10,177,253
Loans and advances	11,039,430	2,597,808	2,597,808	11,651,731	420,000	-	17,267,347
Trade receivables	143,934	143,934	-	-	-	-	143,934
Reinsurance assets	166,440	114,758	-	-	-	51,682	166,440
Other receivables	361,223	460,011	-	-	-	-	460,011
Finance lease receivables	376,138	37,807	315,718	64,299	-	-	417,824
Statutory deposit	200,000	12,000	12,000	96,000	-	200,000	320,000
Total financial assets	22,192,034	13,543,571	2,925,526	11,812,030	420,000	251,682	28,952,809
Investment contract liabilities	24,217,581	5,120,702	5,120,702	15,704,581	777,673	-	26,723,658
Insurance contract liabilities	929,365	411,914	-	-	-	517,451	929,365
Trade payables	101,230	101,230	-	-	-	-	101,230
Other liabilities	716,707	716,707	-	-	-	-	716,707
Deposit liabilities	509,867	523,888	-	-	-	-	523,888
Total financial liabilities	25,964,883	6,350,553	5,120,702	15,704,581	777,673	517,451	28,994,848
Total liquidity gap	(3,772,849)	7,193,018	(2,195,176)	(3,892,551)	(357,673)	(265,769)	(42,040)

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. Also, as at 31 December 2015, the Group held inventories (construction in progress) of ₦1.5 billion which are available for immediate sale on completion within twelve months.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(b) Liquidity risk - continued

Company 31 December 2015 <i>in thousands of Nigerian Naira</i>	Carrying amount	1-6 months	6-12 months	1-5 years	Above 5 years	Gross total
Cash and cash equivalents	9,410,464	9,669,252	-	-	-	9,669,252
Loans and advances	11,034,276	2,329,137	2,329,137	12,817,072	-	17,475,346
Reinsurance assets	161,805	110,123	-	-	51,682	161,805
Other receivables	125,758	125,758	-	-	-	125,758
Finance lease receivables	317,930	32,049	258,309	64,410	-	354,768
Statutory deposit	200,000	12,000	12,000	96,000	-	320,000
Total financial assets	21,250,233	12,278,319	2,599,446	12,977,482	-	28,106,929
Investment contract liabilities	24,208,510	5,120,702	5,120,702	15,695,057	777,673	26,714,134
Insurance contract liabilities	888,367	305,116	-	-	583,251	888,367
Trade payables	77,190	77,190	-	-	-	77,190
Other liabilities	406,775	406,775	-	-	-	406,775
Total financial liabilities	25,580,842	5,909,783	5,120,702	15,695,057	777,673	28,086,466
Total liquidity gap	(4,330,609)	6,368,535	(2,521,256)	(2,717,574)	(777,673)	20,463

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

(c) Market risk

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

i Currency risk

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

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

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

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

Group	31 December 2016			31 December 2015		
	USD	Pound Sterling	CFA Franc	USD	Pound Sterling	CFA Franc
<i>in thousands of Nigerian Naira</i>						
Cash and cash equivalents	89,700	4,026	-	53,030	3,130	-
Net investment in foreign subsidiaries	1,184,912	-	639,488	281,819	-	857,812

Company	31 December 2016			31 December 2015		
	USD	Pound Sterling	CFA Franc	USD	Pound Sterling	CFA Franc
<i>in thousands of Nigerian Naira</i>						
Cash and cash equivalents	89,700	4,026	-	53,030	3,130	-

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

in thousands of Nigerian Naira

	Change in variables	GROUP			
		31 DECEMBER 2016		31 DECEMBER 2015	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
USD	+10%	127,461	89,223	33,485	23,439
Pound Sterling	+10%	403	282	313	219
CFA Franc	+10%	63,949	44,764	85,781	60,047
USD	-10%	(127,461)	(89,223)	(33,485)	(23,439)
Pound Sterling	-10%	(403)	(282)	(313)	(219)
CFA Franc	-10%	(63,949)	(44,764)	(85,781)	(60,047)

	Change in variables	COMPANY			
		31 DECEMBER 2016		31 DECEMBER 2015	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
USD	+10%	8,970	6,279	5,303	3,606
Pound Sterling	+10%	403	282	313	213
CFA Franc	+10%	-	-	-	-
USD	-10%	(8,970)	(6,279)	(5,303)	(3,606)
Pound Sterling	-10%	(403)	(282)	(313)	(213)
CFA Franc	-10%	-	-	-	-

For the year ended 31 December 2016

(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 not 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 Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.2 Capital Management - Continued

Capital management objectives, policies and approach

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

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

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

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

<i>in thousands of Nigerian Naira</i>	2016	2015
Available capital resources as at 31 December		
Total shareholders' funds per financial statements	5,291,090	3,220,996
Regulatory adjustments	(1,180,801)	(505,716)
Regulatory available capital resources	4,110,289	2,715,280
Minimum capital based required by regulator	2,000,000	2,000,000
Excess in solvency margin	2,110,289	715,280

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.2 Capital Management - Continued

The Solvency Margin for the parent as at 31 December 2016 is as follows:

<i>in thousands of Nigerian Naira</i>	2016	2015
Admissible assets		
Cash and cash equivalents	6,157,695	9,410,464
Loans and receivables	11,193,259	9,730,298
Available-for-sale investment securities	716,472	609,036
Held-to-maturity financial assets	6,183,731	-
Reinsurance assets	771,068	185,776
Other receivables and prepayments	4,184	-
Deferred acquisition costs	105,285	60,811
Finance lease receivables	181,810	317,930
Investment properties	8,670,390	8,675,665
Investments in subsidiaries	175,038	175,038
Deposit for shares	70,000	140,000
Intangible assets	3,603	5,870
Property, plant and equipment	505,381	533,493
Statutory deposit	200,000	200,000
Total	34,937,916	30,044,381
Admissible liabilities		
Insurance contract liabilities	3,210,013	1,844,111
Investment contract liabilities	25,944,127	24,208,510
Trade payables	174,090	77,190
Other liabilities	1,283,606	1,064,107
Current income tax liabilities	215,791	135,183
Total	30,827,627	27,329,101
Solvency margin	4,110,289	2,715,280
The higher of 15% of Net premium income and the Minimum Share capital required	2,000,000	2,000,000
Solvency ratio (%)	2.06	1.36

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.3 Asset and Liability Management

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

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

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

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

<i>in thousands of Nigerian Naira</i>	Carrying amount	Insurance Contract Group & Life	Contract Annuity	Investment Contract	Shareholders fund	31 Dec 2016 Total
ASSETS						
Cash and cash equivalents	6,157,695	2,919,441	454,587	1,925,000	858,667	6,157,695
Available-for-sale investment securities	716,472	-	-	-	716,472	716,472
Loans and receivables	11,193,259	-	-	11,193,259	-	11,193,259
Held-to-maturity financial assets	6,183,731	-	-	6,183,731	-	6,183,731
Trade receivables	-	-	-	-	-	-
Reinsurance assets	771,068	771,068	-	-	-	771,068
Other receivables	521,088	-	-	269,073	252,015	521,088
Deferred acquisition costs	105,285	-	-	-	105,285	105,285
Finance lease receivables	181,810	120,265	-	-	61,545	181,810
Investment properties	8,670,390	-	-	8,670,390	-	8,670,390
Investments in subsidiaries	896,981	-	-	-	896,981	896,981
Intangible assets	3,603	-	-	-	3,603	3,603
Property, plant and equipment	505,381	-	-	-	505,381	505,381
Statutory deposit	200,000	-	-	-	200,000	200,000
Deposit for shares	70,000	-	-	-	70,000	70,000
Total assets	36,176,763	3,810,774	454,587	28,241,453	3,669,949	36,176,763
LIABILITIES						
Insurance contract liabilities	3,210,013	2,790,643	419,370	-	-	3,210,013
Investment contract liabilities	25,944,127	-	-	25,944,127	-	25,944,127
Trade payables	174,090	-	-	-	174,090	174,090
Other liabilities	1,283,606	-	-	-	1,283,606	1,283,606
Current income tax liabilities	215,791	-	-	-	215,791	215,791
Deferred tax liabilities	58,046	-	-	-	58,046	58,046
Total liabilities	30,885,673	2,790,643	419,370	25,944,127	1,731,533	30,885,673
GAP	5,291,090	1,020,131	35,217	2,297,326	1,938,416	5,291,090

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.3 Asset and Liability Management

<i>in thousands of Nigerian Naira</i>	Carrying amount	Insurance Contract Group & Life	Contract Annuity	Investment Contract	Shareholders fund	31 Dec 2015 Total
ASSETS						
Cash and cash equivalents	9,410,464	1,801,991	65,332	6,540,132	1,003,009	9,410,464
Available-for-sale investment securities	609,036	-	-	-	609,036	609,036
Loans and receivables	11,034,276	-	-	9,730,298	1,303,978	11,034,276
Reinsurance assets	185,776	185,776	-	-	-	185,776
Other receivables	534,055	-	-	4,906	529,149	534,055
Deferred acquisition costs	60,811	-	-	-	60,811	60,811
Finance lease receivables	317,930	317,930	-	-	-	317,930
Investment properties	8,675,665	-	-	8,675,665	-	8,675,665
Investments in subsidiaries	896,981	-	-	-	896,981	896,981
Intangible assets	5,870	-	-	-	5,870	5,870
Property, plant and equipment	533,493	-	-	-	533,493	533,493
Statutory deposit	200,000	-	-	-	200,000	200,000
Deposit for shares	140,000	-	-	-	140,000	140,000
Total assets	32,604,357	2,305,697	65,332	24,951,001	5,282,327	32,604,357
LIABILITIES						
Insurance contract liabilities	1,844,111	1,778,779	65,332	-	-	1,844,111
Investment contract liabilities	24,208,510	-	-	24,208,510	-	24,208,510
Trade payables	77,190	-	-	-	77,190	77,190
Deposit for shares	2,000,000	-	-	-	2,000,000	2,000,000
Other liabilities	1,064,107	-	-	-	1,064,107	1,064,107
Current income tax liabilities	135,183	-	-	-	135,183	135,183
Deferred tax liabilities	54,260	-	-	-	54,260	54,260
Total liabilities	29,383,361	1,778,779	65,332	24,208,510	3,330,740	27,383,361
GAP	3,220,996	526,918	-	742,491	1,951,587	5,220,996

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

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 2016 <i>in thousands of Nigerian Naira</i>	Note	Group		Company	
		Loans & receivables	Fair value	Loans & receivables	Fair value
Loans and advances	21.2	11,639,228	12,097,640	11,193,259	11,809,385
Finance lease receivables	26	272,084	283,493	181,810	189,434
		11,911,312	12,381,133	11,375,069	11,998,819

31 December 2015 <i>in thousands of Nigerian Naira</i>	Note	Group		Company	
		Loans & receivables	Fair value	Loans & receivables	Fair value
Loans and advances	21.2	11,039,430	11,888,984	11,034,276	11,917,018
Finance lease receivables	26	376,138	406,229	317,930	343,364
		11,415,568	12,295,213	11,352,206	12,260,382

3.5 Fair value hierarchy

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

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

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

Valuation models

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

Financial instruments in level 1

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.5 Fair value hierarchy - Continued

Financial instruments in level 2

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

Financial instruments in level 3

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

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

Financial instruments not measured at fair value

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

31 December 2016 <i>in thousands of Nigerian Naira</i>	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances	-	-	12,097,640	12,097,640	-	-	11,809,385	11,809,385
Finance lease receivables	-	-	283,493	283,493	-	-	189,434	189,434
	-	-	12,381,133	12,381,133	-	-	11,998,819	11,998,819
31 December 2015								
Loans and advances	-	-	11,888,984	11,888,984	-	-	11,917,018	11,917,018
Finance lease receivables	-	-	406,229	406,229	-	-	343,364	343,364
	-	-	12,295,213	12,295,213	-	-	12,260,382	12,260,382

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.5 Fair value hierarchy - Continued

Non financial asset measured at fair value

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

<i>in thousands of Nigerian Naira</i>		Group				Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment properties	31 Dec 2016	-	-	8,670,390	8,670,390	-	-	8,670,390	8,670,390
Investment properties	31 Dec 2015	-	-	8,675,665	8,675,665	-	-	8,675,665	8,675,665

During the reporting year ended 31 December 2016, there were no transfers between level 1 and level 2 and in and out of level 3.

3.6 Segment information

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

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

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2016 is as follows:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Cash and cash equivalents	6,157,695	691,230	36,933	7,557	36,005	-	6,929,420
Investment securities:							
Available-for-sale investment securities	716,472	-	111,350	-	-	-	827,822
Loans and receivables	11,193,259	-	1,057,047	-	460,353	(1,071,432)	11,639,228
Held-to-maturity	6,183,731						6,183,731
Trade receivables	-	168,633	190,989	-	-	-	359,622
Reinsurance assets	771,068	42,978	-	-	-	-	814,046
Other receivables	521,088	79,935	10,676	97,564	26,199	(79,973)	655,490
Deferred acquisition costs	105,285	-	-	-	-	-	105,285
Finance lease receivables	181,810	-	90,274	-	-	-	272,084
Inventories	-	-	-	1,332,864	-	-	1,332,864
Investment properties	8,670,390	-	-	-	-	-	8,670,390
Investments in subsidiaries	896,981	-	-	-	-	(896,981)	-
Intangible assets	3,603	32,702	-	-	3,920	(1)	40,224
Property, plant and equipments	505,381	143,431	194,119	492	28,233	(1)	871,654
Statutory deposit	200,000	-	-	-	-	-	200,000
Deposit for shares	70,000	-	-	-	-	-	70,000
Deferred tax assets	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	1,543	1,543
Total assets	36,176,763	1,158,908	1,691,388	1,438,476	554,711	(2,046,845)	38,973,403

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2016 is as follows:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
LIABILITIES							
Insurance contract liabilities	3,210,013	227,786	333,677	-	-	(192,336)	3,579,141
Investment contract liabilities	25,944,127	-	12,644	-	-	-	25,956,771
Trade payables	174,090	46,025	18,381	-	-	(1)	238,495
Other liabilities	1,283,606	232,831	141,773	317,531	51,102	62,658	2,089,502
Borrowings	-	-	-	1,050,496	-	(1,050,496)	-
Deposit liabilities	-	-	-	-	203,845	-	203,845
Current income tax liabilities	215,791	12,779	-	41,328	16,212	-	286,110
Deferred tax liabilities	58,046	-	-	92,197	6,542	260,727	417,513
Total liabilities	30,885,673	519,420	506,476	1,501,553	277,701	(919,448)	32,771,377
EQUITY							
Share capital	250,000	330,000	488,421	20,000	250,000	(1,088,421)	250,000
Share premium	3,750,000	-	-	-	-	-	3,750,000
Foreign currency translation reserve	-	206,667	709,976	-	-	(10,141)	906,502
Contingency reserve	353,645	-	-	-	-	-	353,645
Retained earnings/ (accumulated losses)	937,445	68,195	(46,865)	(83,077)	(28,591)	(28,835)	818,272
Shareholders' fund	5,291,090	604,862	1,151,532	(63,077)	221,409	(1,127,397)	6,078,419
Owners of the parent	5,291,090	604,862	1,151,532	(63,077)	221,409	(1,127,397)	6,078,419
Non-controlling interests in equity	-	34,626	33,380	-	55,602	-	123,607
Total equity	5,291,090	639,488	1,184,912	(63,077)	277,011	(1,127,397)	6,202,026
Total liabilities and equity	36,176,763	1,158,908	1,691,388	1,438,476	554,711	(2,046,845)	38,973,403

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

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:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Gross premium written	4,351,455	661,835	543,473	-	-	-	5,556,764
Gross premiums income	4,123,068	655,248	543,473	-	-	-	5,321,790
Premiums ceded to reinsurers	(173,181)	(22,453)	-	-	-	-	(195,634)
Net premiums income	3,949,887	632,795	543,473	-	-	-	5,126,156
Fee and commission income	116,754	1,287	-	-	-	-	118,041
Net underwriting income	4,066,641	634,082	543,473	-	-	-	5,244,197
Net benefits and claims	1,850,262	176,073	318,381	-	-	-	2,344,716
Increase in individual life fund	(161,532)	-	-	-	-	-	(161,532)
Increase in annuity reserve	354,038	-	-	-	-	-	354,038
Underwriting expenses	1,236,780	97,687	56,565	-	-	-	1,391,033
Net underwriting expenses	3,279,548	273,761	374,946	-	-	-	3,928,255
Underwriting profit	787,093	360,322	168,527	-	-	-	1,315,942
Profit on investment contracts	819,091	-	-	-	-	-	819,091
Investment income	492,251	11,134	25,373	-	-	(122,611)	406,147
Net fair value gain on assets at FVTPL	(5,275)	-	-	-	-	-	(5,275)
Other income	45,516	1,120	81,285	30,411	39,194	1	197,527
Impairment charge no longer required	-	-	-	-	33,435	-	33,435
Impairment charges	(10,574)	-	-	-	-	-	(10,574)
Employees benefit expenses	(727,911)	(72,831)	(70,964)	(2,794)	(108,184)	-	(982,685)
Other management expenses	(1,243,330)	(162,385)	(180,837)	(15,031)	(111,942)	(1,001)	(1,714,527)
Result of operating activities	156,861	137,359	23,385	12,586	(147,497)	(123,611)	59,081
Finance costs	-	-	-	-	(27,681)	-	(27,681)
Finance income	-	-	-	-	154,985	-	154,985
Profit before income tax	156,861	137,359	23,385	12,586	(20,192)	(123,611)	186,385
Income tax expenses	(86,767)	(44,699)	(913)	(4,073)	411	1	(136,039)
Net profit for the year	70,094	92,659	22,473	8,513	(19,781)	(123,610)	50,346
Profit attributable to:							
Owners of the parent	70,094	85,247	21,349	8,513	(15,825)	(123,612)	45,766
Non-controlling interests	-	7,413	1,124	-	(3,956)	-	4,580
	70,094	92,659	22,473	8,513	(19,781)	(123,610)	50,346

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

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 2015 is as follows:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Cash and cash equivalents	9,410,464	298,663	36,560	20,707	138,475	-	9,904,869
Investment securities:							-
Available-for-sale investment securities	609,036	504,000	-	-	-	(420,000)	693,036
Loans and receivables	11,034,276	-	193,207	-	695,926	(883,979)	11,039,430
Trade receivables	-	60,659	83,275	-	-	-	143,934
Reinsurance assets	185,776	1,171	3,464	-	-	-	190,411
Other receivables	534,055	7,952	10,068	228,489	32,697	35,466	848,728
Deferred acquisition costs	60,811	-	-	-	-	-	60,811
Finance lease receivables	317,930	-	58,208	-	-	-	376,138
Inventories	-	-	-	1,533,164	-	-	1,533,164
Investment properties	8,675,665	-	-	-	-	-	8,675,665
Investments in subsidiaries	896,981	-	-	-	-	(896,981)	-
Intangible assets	5,870	26,472	-	-	-	-	32,342
Property, plant and equipments	533,493	99,093	127,095	13,440	40,045	-	813,166
Statutory deposit	200,000	-	-	-	-	-	200,000
Deposit for shares	140,000	-	-	-	-	-	140,000
Deferred tax assets	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	1,543	1,543
Total assets	32,604,357	998,010	511,877	1,795,800	907,143	(2,163,951)	34,653,237

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

3.6 Segment information - Continued

The segment information provided by the Management Underwriting Investment Committee (MUIC) for the reporting segments as at 31 December 2015 is as follows:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
LIABILITIES							
Insurance contract liabilities	1,844,111	99,456	173,239	-	-	-	2,116,805
Investment contract liabilities	24,208,510	-	9,071	-	-	-	24,217,581
Related party loan	-	-	-	1,303,978	-	(1,303,978)	-
Trade payables	77,190	6,797	-	-	-	17,243	101,230
Other liabilities	1,064,107	33,945	41,634	433,959	66,632	11,092	1,651,370
Deposit liabilities	-	-	-	-	509,867	-	509,867
Deposit for shares	2,000,000	-	-	-	-	-	2,000,000
Current income tax liabilities	135,183	-	6,114	37,860	24,295	-	203,452
Deferred tax liabilities	54,260	-	-	91,592	8,557	260,727	415,136
Total liabilities	29,383,361	140,198	230,058	1,867,390	609,351	(1,014,916)	31,215,441
EQUITY							
Share capital	150,000	330,000	488,421	20,000	250,000	(1,088,421)	150,000
Share premium	1,850,000	-	-	-	-	-	1,850,000
Foreign currency translation reserve	-	-	-	-	-	184,491	184,491
Contingency reserve	310,130	-	-	-	-	-	310,130
Revaluation reserve	-	-	-	-	-	-	-
Retained earnings/ (accumulated losses)	910,866	500,599	(236,844)	(91,590)	(11,766)	(255,245)	816,021
Shareholders' fund	3,220,996	830,599	251,577	(71,590)	238,234	(1,159,175)	3,310,642
Owners of the parent	3,220,996	830,599	251,577	(71,590)	238,234	(1,159,175)	3,310,642
Non-controlling interests in equity	-	27,213	30,242	-	59,558	10,140	127,154
Total equity	3,220,996	857,812	281,819	(71,590)	297,793	(1,149,035)	3,437,796
Total liabilities and equity	32,604,357	998,010	511,877	1,795,800	907,144	(2,163,951)	34,653,237

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2016

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 2015 is as follows:

<i>in thousands of Nigerian Naira</i>	Assurance business			Real estate	Microfinance	Elimination adjustment	Total
	Mutual Nigeria	Mutual Niger	Mutual Liberia	Mutual Homes	Mutual Microfinance		
Gross premium written	3,337,710	351,212	367,644	-	-	-	4,056,566
Gross premiums income	2,906,011	297,062	367,644	-	-	-	3,570,717
Premiums ceded to reinsurers	(95,286)	(11,491)	-	-	-	-	(106,777)
Net premiums income	2,810,725	285,571	367,644	-	-	-	3,463,940
Fee and commission income	21,767	1,286	-	-	-	-	23,053
Net underwriting income	2,832,492	286,857	367,644	-	-	-	3,486,993
Net benefits and claims	1,051,985	40,221	157,853	-	-	-	1,250,060
Increase in individual life fund	(3,273)	-	-	-	-	-	(3,273)
Increase in annuity reserve	30,633	-	-	-	-	-	30,633
Underwriting expenses	1,057,331	50,456	46,365	-	-	-	1,154,152
Net underwriting expenses	2,136,676	90,677	204,218	-	-	-	2,431,572
Underwriting profit	695,816	196,180	163,427	-	-	-	1,055,421
Profit on investment contracts	782,150	-	-	-	-	-	782,150
Investment income	234,633	3,730	19,416	129	-	(133,029)	124,879
Net fair value gain on assets at FVTPL	116,651	-	-	35,000	-	-	151,651
Other income	8,756	-	436	185,810	95,250	-	290,252
Impairment charge no longer required	160,702	-	-	-	-	(160,702)	-
Impairment charges	-	-	-	-	(25,895)	-	(25,895)
Employees benefit expenses	(745,011)	(37,846)	(48,389)	(30,057)	(122,941)	-	(984,243)
Other management expenses	(1,101,865)	(82,961)	(110,726)	(49,779)	(97,083)	(22,099)	(1,464,513)
Result of operating activities	151,832	79,102	24,163	141,104	(150,668)	(315,830)	(70,298)
Finance costs	-	-	-	(142,360)	(29,848)	142,360	(29,848)
Finance income	-	-	-	-	249,891	-	249,891
Profit before income tax	151,832	79,102	24,163	(1,256)	69,375	(173,470)	149,745
Income tax expenses	(44,586)	(4,925)	(6,041)	(10,850)	(7,046)	18,599	(54,848)
Net profit for the year	107,246	74,178	18,123	(12,106)	62,329	(154,871)	94,897
Profit attributable to:							
Owners of the parent	107,246	68,243	17,217	(12,106)	49,863	(154,873)	75,591
Non-controlling interests	-	5,934	906	-	12,466	-	19,306
	107,246	74,178	18,123	(12,106)	62,329	(154,871)	94,897

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

4 Gross premium income

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
4.1 Gross premium written					
Group life		2,997,614	2,417,430	2,821,116	2,318,072
Individual life		1,219,464	993,285	1,219,464	993,285
Annuity		310,875	26,354	310,875	26,354
Non-life		1,028,811	619,497	-	-
	35.2	5,556,764	4,056,566	4,351,455	3,337,711
Changes in unearned premium					
Group life		(228,387)	(431,700)	(228,387)	(431,700)
Non-life		(6,587)	(54,149)	-	-
		(234,974)	(485,849)	(228,387)	(431,700)
Gross premium income	35.2	5,321,790	3,570,717	4,123,068	2,906,011

4.2 Premiums ceded to reinsurers

Group life		143,652	82,382	143,652	82,382
Individual life		29,529	12,904	29,529	12,904
Non-life		22,453	11,491	-	-
	23.3	195,634	106,777	173,181	95,286

4.3 Net premium income

		5,126,156	3,463,940	3,949,887	2,810,725
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5 Fee and commission income

Commission income from reinsurance		118,041	23,053	116,754	21,767
		118,041	23,053	116,754	21,767

6 Net benefits and claims

Claims paid		1,732,675	1,569,240	1,238,222	1,371,166
Change in outstanding claims		945,010	(226,677)	945,010	(263,238)
Claims recoveries		(153,600)	(248,607)	(153,601)	(212,047)
Change in outstanding claims - Reinsurers	23.1	(179,369)	156,104	(179,369)	156,104
		2,344,716	1,250,060	1,850,262	1,051,985

7 Underwriting expenses

Amortisation of deferred acquisition costs	25	428,841	320,356	278,394	226,448
Maintenance costs	7.1	962,192	833,796	958,386	830,883
		1,391,033	1,154,152	1,236,780	1,057,331

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

7.1 Maintenance costs

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Administrative charges-Group Life		6,435	7,364	6,435	7,364
Agency allowance		130,497	101,068	130,497	101,068
Agency training		21,855	38,870	21,855	38,870
Transport & Travelling-Corporate		76,202	100,898	76,202	100,898
Training and Forum For Marketers		167,013	166,398	167,013	166,398
Group life actuary valuation report fee		3,100	2,500	3,100	2,500
Postage stamp duty expenses		2,415	4,696	2,415	4,696
Agency unit manager allowance		217,797	174,175	213,991	171,262
Business promotion expenses		26,269	3,004	26,269	3,004
Underwriting medical expenses		5,095	5,851	5,095	5,851
Marketing expenses		305,514	228,972	305,514	228,972
		962,192	833,796	958,386	830,883

8 Profit on investment contracts

Interest income		2,998,037	2,431,185	2,998,037	2,431,185
Surrender fee		314,785	312,485	314,785	312,485
Guaranteed interest		(1,628,443)	(1,122,476)	(1,628,443)	(1,122,476)
Acquisition cost on investment policies		(865,288)	(839,044)	(865,288)	(839,044)
		819,091	782,150	819,091	782,150

9 Investment income

Interest income on loans and advances	9.1	-	-	-	133,029
Dividend income from MB Liberia		-	-	122,611	-
Interest income on fixed term deposit		211,864	100,801	181,770	78,484
Interest income on statutory deposits		26,009	2,366	26,009	2,366
Interest from current accounts with banks		1,950	714	1,950	714
Interest income from treasury bills		147,064	20,998	140,651	20,040
		406,147	124,879	492,251	234,633

9.1 Interest income on loans and advances

Loan to Prime Exploration		2,110,161	1,729,640	2,110,161	1,729,640
Loan to Mutual Homes and Properties		-	-	-	133,029
Loan to staff		(2,110,161)	(1,729,640)	(2,110,161)	(1,729,640)
		-	-	-	133,029

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

10 Fair value (loss)/gains on investment properties

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Fair value (loss)/gain on investment properties	28	(5,275)	151,651	(5,275)	116,651
		(5,275)	151,651	(5,275)	116,651

11 Other income

Foreign exchange - gain		35,731	8,103	33,757	8,103
Logistics income		81,285	10,010	-	-
Net income from sale of properties		90	92,079	-	-
Gain on disposal of property, plant and equipment		3,043	80,324	7,291	-
Micro finance bank charges		598	818	-	-
Micro finance fees and commission		13,115	34,830	-	-
SMS, closed account and default charges		19,763	33,333	-	-
Commission on turnover		5,718	10,165	-	-
Others		38,184	20,590	4,468	653
		197,527	290,252	45,516	8,756

12 Impairment charge no longer required

Impairment no longer required on loan to Mutual Homes & Properties	21.2.1	-	-	-	160,702
Impairment no longer required on other loans and advances	21.2.1	33,435	-	-	-
		33,435	-	-	160,702

13 Impairment charges

Loans and advances	21.2.1	-	25,895	-	-
Other assets and receivables	24.2	10,574	-	10,574	-
		10,574	25,895	10,574	-

14 Employee benefit expenses

Wages and salaries		946,984	949,998	696,656	716,597
Defined contribution pension costs		35,701	34,245	31,255	28,414
		982,685	984,243	727,911	745,011

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

15 Other management expenses

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Amortization of intangible assets	30	13,076	19,023	2,267	4,105
Auditors' remunerations		20,352	19,161	16,330	13,000
Bad debt written off		38,681	468	38,681	-
Bank Charges		77,646	103,237	72,115	99,076
Business entertainments		12,010	12,098	6,103	8,128
Computer repairs and maintenance		20,447	17,364	15,489	14,108
Depreciation of property, plant and equipment	31	249,545	301,084	186,057	163,016
Directors fee and allowance and expenses		104,097	155,609	51,950	120,033
Donations		20,232	9,940	18,860	5,250
Fines and penalties		-	970	-	970
Insurance		12,026	18,725	6,662	13,127
Insurance supervisory fee		81,421	73,141	81,421	73,141
Investment related expenses	15.1	220,519	81,761	220,519	81,761
Legal and consultancy fees		209,152	77,329	188,027	64,699
Loss on disposal of property, plant and equipment		213	595	-	-
Medical expenses		20,892	31,516	18,762	29,094
Motor vehicle running expenses		33,294	33,367	27,153	26,784
Newspapers and periodicals		523	874	441	771
Printing and stationery		22,454	46,028	16,175	26,901
Public relations and advertising		46,186	39,059	7,379	37,118
Rents and Rates		149,425	135,178	131,305	132,238
Repairs and maintainance		217,425	107,708	49,449	61,489
Security expenses		8,465	9,303	4,824	6,748
Subscriptions		10,871	5,898	10,088	5,138
Telecommunication expenses		36,710	35,378	32,280	28,565
Training and recruitment		11,011	39,905	8,487	36,687
Transport and travelling		32,600	80,699	22,183	40,823
Utilities		6,536	9,095	6,535	9,095
		1,714,527	1,464,513	1,243,330	1,101,865

15.1 Investment related expenses

Property repairs and maintenance cost	75,000	-	75,000	-
Facility management	25,000	-	25,000	-
Land property registration fee	-	64,000	-	64,000
Interest paid on refund of deposits for properties	33,078	-	33,078	-
Investment termination charges	15,618	-	15,618	-
Treasury bills handling charges	41,823	-	41,823	-
Others	30,000	17,761	30,000	17,761
	220,519	81,761	220,519	81,761

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

16 Finance costs

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	2016	2015	2016	2015
Interest charge on deposits	26,066	27,943	-	-
Interest on savings account	1,615	1,905	-	-
	27,681	29,848	-	-

17 Finance income

Interest income on Micro loans	131,295	229,201	-	-
Interest income on overdraft	16,300	11,520	-	-
Interest income from funds placement	4,024	7,154	-	-
Interest income on treasury bills	3,359	1,772	-	-
Interest on Eazy cash product	7	244	-	-
	154,985	249,891	-	-

18 Income tax expense

18.1 Current income tax charge

Company income tax	48,501	30,453	-	-
Education tax	578	441	-	-
Minimum tax	83,015	14,078	81,411	14,078
Information technology tax	1,569	3,786	1,569	3,092
Total current income tax expense	41	133,663	82,980	17,170

18.2 Deferred tax

Relating to origination and reversal of temporary differences	2,376	6,090	3,786	27,416
Total deferred tax	2,376	6,090	3,786	27,416
Total income tax expenses	136,039	54,848	86,767	44,586

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

18.3 Reconciliation of tax charge

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	2016	2015	2016	2015
Profit before income tax	186,385	149,745	156,861	151,832
Tax at Nigerian's statutory income tax rate of 30% (2015: 30%)	55,916	44,924	47,058	45,550
Effect of:				
Tax exempt income	(462,289)	(150,980)	(459,180)	(131,401)
Expenses not deductible for tax purposes	456,196	173,231	414,853	136,597
Tax rate differential on fair value loss/(gains)	1,055	(30,330)	1,055	(23,330)
Tax rate differential in foreign jurisdictions	-	(302)	-	-
Information Technology tax	1,569	3,786	1,569	3,092
Minimum tax	83,015	14,078	81,411	14,078
Education tax	578	441	-	-
	136,040	54,848	86,767	44,586

In 2015 the Company was assessed based on minimum tax: In line with Section 16, of Companies Income Tax Act 2004 of Federation of Republic of Nigeria, where in any year of assessment the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the company the minimum tax as prescribed in subsection (2) of this sections.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

19 Earnings per share

19.1 Earnings per share - Basic

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

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Profit attributable to equity holders		45,766	75,591	70,094	107,246
Weighted average number of ordinary shares for basic earnings per share	19.2	250,000	150,000	250,000	150,000
Basic earnings per ordinary share (kobo)		18	50	28	71

19.2 Weighted average number of ordinary shares - basic

Issued ordinary shares at 1 January	150,000	150,000	150,000	150,000
Issued during the year	100,000	-	100,000	-
As at 31 December	250,000	150,000	250,000	150,000

In January 2016 the authorised ordinary shares were increased to 300,000 000 ordinary shares at ₦1.00 each. The issued and fully paid ordinary shares were also increased to 250,000,000 as a result of the ₦2 billion capital injected into the Company by the Mutual Benefits Assurance Plc (parent company) for 100,000,000 units of ordinary shares at ₦20 each.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20 Cash and cash equivalents

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Cash in banks and on hand		2,615,330	1,094,677	2,003,340	669,833
Short-term deposits	20.1	3,734,583	6,980,632	3,734,583	6,980,631
Treasury bills with original maturity of less than 90days		579,507	1,829,560	419,772	1,760,000
		6,929,420	9,904,869	6,157,695	9,410,464

20.1 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and treasury bill 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 (2015: 11%).

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

21 Financial assets

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Available-for-sale investment securities	21.1	827,822	693,036	716,472	609,036
Loans and receivables	21.2	11,639,228	11,039,430	11,193,259	11,034,276
Held-to-maturity	21.3	6,183,731	-	6,183,731	-
		18,650,781	11,732,466	18,093,462	11,643,312
Current		9,116,373	3,124,662	9,555,536	3,628,600
Non-current		9,534,408	8,607,804	8,537,926	8,014,712
		18,650,781	11,732,466	18,093,462	11,643,312

21.1 Available-for-sale investment securities

Unquoted investments	21.1.1	827,822	693,036	716,472	609,036
Allowance for impairment		-	-	-	-
		827,822	693,036	716,472	609,036

All unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Group to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investments.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

21.1 Available-for-sale investment securities - continued

21.1.1 Analysis of investments in unlisted entities	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
ICHL Limited	316,472	279,036	316,472	279,036
Leasing Company of Liberia	60,950	33,600	-	-
Motor Way Assets Limited	330,000	330,000	330,000	330,000
Avanage Nigeria Limited	33 70,000	-	70,000	-
Other investments	50,400	50,400	-	-
	827,822	693,036	716,472	609,036

21.1.2 Movement in unlisted entities

At 1 January	693,036	505,400	609,036	-
Additions during the year	-	330,000	-	330,000
Disposal during the year	-	(421,400)	-	-
Foreign exchange revaluation	64,786	-	-	-
Reclassification from deposit for investment in equity instrument	70,000	279,036	70,000	279,036
At 31 December	827,822	693,036	716,472	609,036

21.2 Financial assets - 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:

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Term loans		11,493,566	10,891,251	11,060,805	10,895,618
Overdrafts		18,953	31,996	-	-
Staff loans		155,827	178,736	132,454	138,658
Gross loans and advances		11,668,346	11,101,983	11,193,259	11,034,276
Allowance for individual impairment	21.2.1	(29,118)	(62,553)	-	-
Allowance for collective impairment	21.2.1	-	-	-	-
		11,639,228	11,039,430	11,193,259	11,034,276
Current		2,932,642	3,124,662	3,371,805	3,628,600
Non-current		8,706,586	7,914,768	7,821,454	7,405,676
		11,639,228	11,039,430	11,193,259	11,034,276

21.2.1 Impairment on loans and advances

Individual impairment

Balance, beginning of the year		62,553	36,658	-	160,702
Impairment charged for the year	13	-	25,895	-	-
Reversal for the year	12	(33,435)	-	-	(160,702)
Balance, end of the year		29,118	62,553	-	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

21.2 Financial assets - Loans and advances - Continued

21.2.2 Loan to Prime Exploration and Production Limited

Included in loans and advances for the Group is the loan balance of ₦10,010,310,000 (2015: ₦9,591,640,000) granted to Prime Exploration and Production limited. The details is as follow:

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance as 1 January	9,591,640	7,862,000	9,591,640	7,862,000
Additions	-	-	-	-
	9,591,640	7,862,000	9,591,640	7,862,000
Interest on loan	2,110,161	1,729,640	2,110,161	1,729,640
Payments received	(1,691,491)	-	(1,691,491)	-
	10,010,310	9,591,640	10,010,310	9,591,640

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

The loan was granted for a period of 60 months after moratorium at 22 percent interest rate and 2 percent all in and a moratorium period of 36 months.

Security for the loan include the following:

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

21.2 Financial assets - Loans and advances - Continued

21.2.3 Loan to Mutual Homes and Properties Limited

Included in loans and advances for the Company is the loan balance of ₦1,050,496,000 (2015: ₦1,303,978,000) granted to Mutual Homes and Properties Limited. The details is as follow:

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance as 1 January		-	-	1,303,978	2,817,662
Additions		-	-	-	237,500
		-	-	1,303,978	3,055,162
Interest on loan		-	-	-	133,029
Loans and receivable settled with investment properties		-	-	-	(1,480,000)
Payments		-	-	(253,482)	(404,213)
		-	-	1,050,496	1,303,978

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

21.2.4 Credit quality of loans and advances is summarised as follows:

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Neither past due nor impaired		11,639,228	11,039,430	11,193,259	11,034,276
Past due but not impaired		-	-	-	-
Individually impaired		29,118	62,553	-	-
Gross		11,668,346	11,101,983	11,193,259	11,034,276
Less: allowance for impairment	21.2.1	(29,118)	(62,553)	-	-
Net balance		11,639,228	11,039,430	11,193,259	11,034,276

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

21.2 Financial assets - Loans and advances - Continued

21.2.5 Loans concentrations

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

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	Loans to individuals	Loans to corporate	Loans to individuals	Loans to corporate
31 December 2016				
Gross	155,827	11,512,519	132,454	11,060,805
Allowance for impairment	-	(29,118)	-	-
Net Balance	155,827	11,483,401	132,454	11,060,805
31 December 2015				
Gross	456,736	10,645,247	138,658	10,895,618
Allowance for impairment	-	(62,553)	-	-
Net Balance	456,736	10,582,694	138,658	10,895,618

21.3 Held-to-maturity

Quoted debt securities - Treasury bills:

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
NIGTB 20 July 2017	1,000,000	-	1,000,000	-
NIGTB 27 July 2017	760,000	-	760,000	-
NIGTB 01 June 2017	4,273,731	-	4,273,731	-
NIGTB 13 July 2017	150,000	-	150,000	-
	6,183,731	-	6,183,731	-

22 Trade receivables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Premium receivables	22.1	359,622	143,934	-	-
Current		359,622	143,934	-	-
Non-current		-	-	-	-
		359,622	143,934	-	-

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

22 Trade receivables - Continued

22.1 Analysis of insurance receivables by counter party

	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Gross				
Due from insurance brokers	359,622	461,291	-	317,357
	359,622	461,291	-	317,357
Allowance for impairment				
Due from insurance brokers	-	(317,357)	-	(317,357)
	-	(317,357)	-	(317,357)
	359,622	143,934	-	-

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

	GROUP	COMPANY
	31 Dec-2016	31 Dec-2015
0 - 90 days	359,622	143,934
91 - 180 days	-	-
Above 180 days	-	317,357
	359,622	461,291

22.3 Movement of allowance for impairment of insurance receivables

	GROUP	COMPANY
	31 Dec-2016	31 Dec-2015
Balance, beginning of the year	317,357	317,357
Written off during the year	(317,357)	-
	-	317,357

23 Reinsurance assets

		GROUP	COMPANY
		31 Dec-2016	31 Dec-2015
Reinsurance share of outstanding claims	23.1	231,051	51,682
Co-assurance claims receivable	23.2	64,165	113,588
Reinsurance debtors		42,978	1,170
Prepaid reinsurance	23.3	475,852	23,971
		814,046	190,411
Current		814,046	190,411
Non-current		-	-
		814,046	190,411

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

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

in thousands of Nigerian Naira	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance at the beginning of the year		51,682	207,786	51,682	207,786
Changes in reinsurance share of outstanding claims	6	179,369	(156,104)	179,369	(156,104)
Balance at the end of the year		231,051	51,682	231,051	51,682

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23 Reinsurance assets - Continued

23.2 The movement in co-assurance claim receivables

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance at the beginning of the year		113,588	100,789	110,123	100,789
Addition during the year		153,601	212,239	153,601	208,774
Receipts during the year		(203,024)	(199,440)	(199,559)	(199,440)
Balance at the end of the year		64,165	113,588	64,165	110,123

23.3 The movement in prepaid reinsurance

Balance at the beginning of the year		23,971	18,933	23,971	18,933
Additions during the year		647,515	111,815	625,062	100,324
Recognised in profit or loss	4.2	(195,634)	(106,777)	(173,181)	(95,286)
Balance at the end of the year		475,852	23,971	475,852	23,971

24 Other receivables and prepayments

Prepayments		86,272	136,858	59,999	85,950
WHT recoverable		83,610	48,718	83,610	48,718
Loan to policy holders		4,184	4,906	4,184	4,906
Other bank balances		10,731	7,640	10,731	7,640
Advance commission to broker		8,739	5,490	8,739	5,490
Stock of cheques		2,642	2,839	-	-
Directors current account		30,893	32,452	-	1,559
Excess interest charges		6,390	6,390	6,390	6,390
Dividend receivables		-	-	89,302	-
Investment receivable		-	53,535	-	53,535
Sundries receivables		92,408	37,575	7,525	265
VAT input on Alpha Court Property		202,500	198,750	202,500	198,750
Private placement		5,500	-	-	-
Receivable from property buyers		102,277	164,447	58,682	120,852
ATM cards		1,232	1,552	-	-
Property development debtors	24.1	28,686	147,576	-	-
		666,064	848,728	531,662	534,055
Allowance for impairment on other receiv.	24.2	(10,574)	-	(10,574)	-
		655,490	848,728	521,088	534,055
Current		655,490	848,728	521,088	534,055
Non-current		-	-	-	-
		655,490	848,728	521,088	534,055

24.1 This is receivable in respect of the property sale from the real estate segment of the Group.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

24 Other receivables and prepayments - Continued

24.2 Allowance for impairment charges on other receivables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Excess interest charges		6,390	-	6,390	-
Loan to policy holders		4,184	-	4,184	-
Balance at the end of the year		10,574	-	10,574	-

24.3 The movement in allowance for impairment charges on other receivables

Balance at the beginning of the year		-	104,406	-	85,422
Charge during the year		10,574	-	10,574	-
Write-offs		-	(104,406)	-	(85,422)
Balance at the end of the year		10,574	-	10,574	-

25 Deferred acquisition costs

Balance at the beginning of the year		60,811	51,309	60,811	51,309
Additions during the year		473,315	329,858	322,868	235,950
Amortisation of DAC	7	(428,841)	(320,356)	(278,394)	(226,448)
Balance at the end of the year		105,285	60,811	105,285	60,811
Current		105,285	60,811	105,285	60,811
Non-current		-	-	-	-
		105,285	60,811	105,285	60,811

26 Finance lease receivables

Net investment in finance lease	26.1	272,084	376,138	181,810	317,930
Less:					
Allowance for individual impairment		-	-	-	-
		272,084	376,138	181,810	317,930
Current		272,084	323,434	181,810	265,135
Non-current		-	52,704	-	52,795
		272,084	376,138	181,810	317,930
Allowance for individual impairment					
Balance at the beginning of the year		-	447,588	-	447,588
Write-offs		-	(447,588)	-	(447,588)
Balance at the end of the year		-	-	-	-

26.1 Movement in finance lease receivables

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance at the beginning of the year		376,138	465,351	317,930	407,143
Additions		-	103,000	-	103,000
Interest on finance leases		19,261	-	19,261	-
Payment during the year		(155,381)	(192,213)	(155,381)	(192,213)
Foreign exchange difference		32,066	-	-	-
		272,084	376,138	181,810	317,930

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

26 Finance lease receivables - Continued

26.1 Credit quality of finance lease receivables is summarised as follows:

<i>In thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Neither past due nor impaired		193,254	376,138	102,980	317,930
Past due but not impaired		78,830	-	78,830	-
Individually impaired		-	-	-	-
Gross		272,084	376,138	181,810	317,930
Less: allowance for impairment		-	-	-	-
Net balance		272,084	376,138	181,810	317,930

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

<i>In thousands of Nigerian Naira</i>	GROUP		COMPANY	
	Lease to individuals	Lease to corporate	Lease to individuals	Lease to corporate
31 December 2016				
Gross	-	272,084	-	181,810
Allowance for Impairment	-	-	-	-
Net Balance	-	272,084	-	181,810
31 December 2015				
Gross	-	376,138	-	317,930
Allowance for Impairment	-	-	-	-
Net Balance	-	376,138	-	317,930

27 Inventories

Construction in progress	1,331,502	1,515,172	-
Building raw materials	1,362	17,992	-
	1,332,864	1,533,164	-
Current	1,332,864	1,533,164	-
Non-current	-	-	-
	1,332,864	1,533,164	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investment properties

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance at the beginning of the year		8,675,665	6,937,764	8,675,665	6,937,764
Additions		-	666,250	-	666,250
Transfer from Mutual Benefits Homes & Properties Limited		-	1,445,000	-	1,480,000
Disposal		-	(525,000)	-	(525,000)
Fair value (loss)/gain on investment properties	10	(5,275)	151,651	(5,275)	116,651
		8,670,390	8,675,665	8,670,390	8,675,665

The items of investment properties are as shown below:

Mutual Tulip Estate	i	798,140	798,140	798,140	798,140
Property at Ikeja GRA- Sasegbon	ii	625,000	625,000	625,000	625,000
Property at Ikeja Alausa	iii	285,000	275,000	285,000	275,000
Property at Sango/Idiroko - Mogga	iv	84,250	90,315	84,250	90,315
Property at Sango/Idiroko - Caxtonjo	v	50,000	60,210	50,000	60,210
Property at Onireke, Ibadan	vi	538,000	545,000	538,000	545,000
Mutual Alpha Court duplex, Costain, Lagos	vii	4,218,000	4,100,000	4,218,000	4,100,000
Property at Asokoro, Abuja	viii	702,000	702,000	702,000	702,000
Property at Akure Plots (5,500 Square Meters)	ix	220,000	350,000	220,000	350,000
Property at Paradise Estate, Anthony Estate	x	230,000	250,000	230,000	250,000
Property at Ado Ekiti Land, (100 Hectares)	xi	750,000	700,000	750,000	700,000
Property at Oyingbo, Lagos	xii	170,000	180,000	170,000	180,000
Balance at the end of the year		8,670,390	8,675,665	8,670,390	8,675,665

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investment property - Continued

Investment properties are stated at fair value, which has been determined based on valuations performed by Messr Alabi, Ojo & Makinde Consulting (FRC/2015/NIESV/00000010800) and Messr Arigbede & Co Estate Surveyors and Valuers (FRC/2014/00000004634), accredited independent valuers as at 31 December 2016. The valuers are specialists in valuing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and other sectors specific peculiarities corroborated with available data derived from previous experiences.

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

The Group enters into operating lease arrangements for all of its investment properties. The rental income arising during the year amounted to ₦94,038,558.86 (2015: ₦18,750,000.00) 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.

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Rental income derived from investment properties	9	-	-	-	-
Direct operating expenses, including repairs and maintenance, included in investment related expenses in other management expenses		(100,000)	(64,000)	(100,000)	(64,000)
Loss arising from investment properties carried at fair value		(100,000)	(64,000)	(100,000)	(9,095)

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

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

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investment property - Continued

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

i **Mutual Tulip Estate**

Land property of 117,000 square metres of land located at Berger within Ogun section of the boundary between Ogun state and Lagos state in Nigeria was purchased at a cost of N747million. The landed property was revalued to ₦798 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

ii **Property at Ikeja GRA- Sasegbon**

Land property of 6,500 square metres of land located at Sasegbon Street, GRA Ikeja, Lagos state in Nigeria was purchased at a cost of ₦593million. The land property was revalued to ₦625 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

iii **Property at Ikeja Alausa**

Land property of 1,548 square metres of land located at Alausa central business district. Lagos state in Nigeria was purchased at a cost of ₦177million. The land property was revalued to ₦285 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

iv **Property at Sango/Idiroko - Mogga**

Land property of 1,548 square metres of land located at Alausa central business district. Lagos state in Nigeria was purchased at a cost of ₦177million. The land property was revalued to ₦285 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

v **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. Issues relating to consent and perfection of title in the name of the Company are ongoing. The land property was valued to ₦50 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

vi **Property at Onireke, Ibadan**

Land property of 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 ₦544 million and revalued to ₦538 million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

vii **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 2016, 53 units were revalued at ₦4.2 billion by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

28 Investment properties - Continued

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

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

Land property sitting on 3287.02 square meters of land located at Asokoro, Abuja, Nigeria was purchased at a cost of ₦666.25million. Perfection of title in the name of the Company is ongoing. The property was valued at ₦702million by Messr Alabi, Ojo & Makinde Consulting Estate Surveyors and Valuers as at 31 December 2016.

ix *Property at Akure Plots (5,500 Square Meters)*

Land property of 5,500 square meters of land located at Akure, Ondo State, Nigeria was transferred to the Group from Mutual Homes and Properties Limited at a fair value of ₦350million. The valuation was done by Messrs Arigbede & Co. Estate Surveyors and Valuers. The title to the property is a Certificate of Occupancy and there is a deed of assignment in favour of the Company. The property was valued at ₦220million by Messrs Arigbede & Co. Estate Surveyors and Valuers as at 31 December 2016.

x *Property at Paradise Estate, Anthony Estate*

Land property of 9 plots of land located at Paradise Estate, Anthony Estate, Lagos, Nigeria was transferred to the Company from Mutual Homes and Properties Limited at a fair value of ₦250million. The Company has allocation letters from Lagos State Government in its name. The property was valued at ₦230million by Messr Alabi, Ojo & Makinde Consulting, Estate Surveyors and Valuers as at 5 January 2017.

xi *Property at Ado Ekiti Land, (100 Hectares)*

Land property consisting of 100 Hectares of land located at Ado-Ekiti, Ekiti State Nigeria was transferred to the Company from Mutual Homes and Properties Limited at a fair value of ₦700million. The property was valued at ₦750million by Messrs Arigbede & Co. Estate Surveyors and Valuers as at 4 January 2017.

xii *Property at Oyingbo, Lagos*

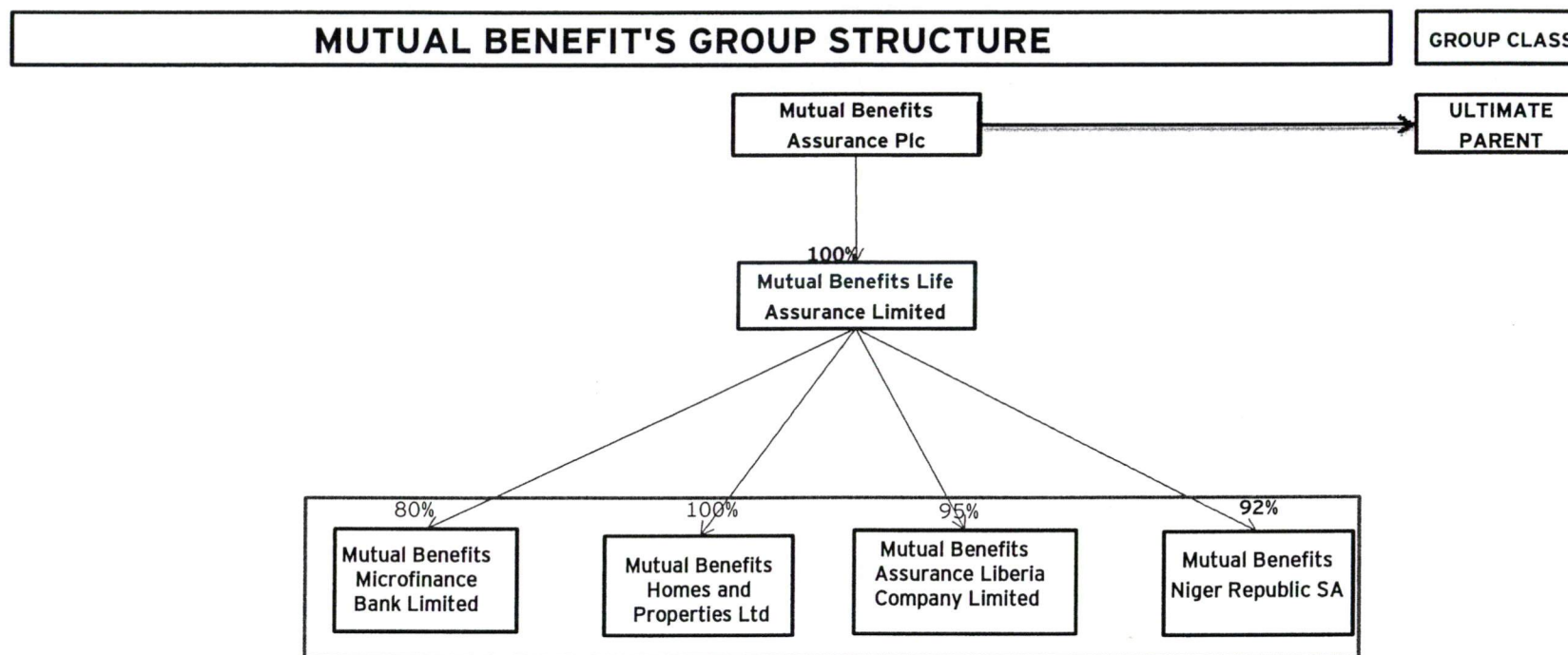
Property of 461 square meters of land located at Apapa Road, Ebute-Metta, Lagos State, Nigeria was transferred at a value of ₦180million. The title is held in perpetuity and Deed of Assignment in favour of the Company is ongoing. The property was valued at ₦170million by Messr Alabi, Ojo and Makinde Consulting, Estate Surveyors and Valuers as at 31 December 2016.

29 Investments in subsidiaries

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

<i>in thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2016	31 Dec-2015
Mutual Benefits-Homes and Properties Ltd	20,000	20,000
Mutual Benefits-Micro Finance Bank Ltd	200,000	200,000
Mutual Benefits-Liberia Limited	464,000	464,000
Mutual Benefits-Niger Republic	301,400	301,400
	985,400	985,400
Allowance for impairment:		
Mutual Benefits-Homes and Properties Ltd	(20,000)	(20,000)
Mutual Benefits-Micro Finance Bank Ltd	(24,962)	(24,962)
Mutual Benefits-Niger Republic	(43,457)	(43,457)
	(88,419)	(88,419)
	896,981	896,981

29 Investments in subsidiaries



Company name	Nature of business	Country of origin	Relationship	% of equity controlled	NCI	Status	Year of control
1 Mutual Benefits Microfinance Bank	Banking	Nigeria	Direct	80%	20%	Acquired	Jan 2009
2 Mutual Benefits Homes and Properties Ltd	Property development	Nigeria	Direct	100%	-	Set up	Jan 2008
3 Mutual Benefits Liberia	Insurance	Liberia	Direct	95%	5%	Set up	Jan 2008
4 Mutual Benefits Niger Republic	Insurance	Niger Republic	Direct	92%	8%	Set up	Jan 2014

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework within which subsidiaries operate. The supervisory framework requires Mutual Benefits Homes and Properties Limited to keep certain levels of regulatory capital and liquid assets.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

29 **Investments in subsidiaries**

1 **Mutual Benefits Microfinance Bank**

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

2 **Mutual Benefits Homes and Properties Ltd**

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

3 **Mutual Benefits Liberia**

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

4 **Mutual Benefits Niger Republic**

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

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

30 Intangible assets

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Computer software acquired				
Cost:				
Balance at the beginning of the year	92,740	41,152	30,539	29,373
Additions	9,128	48,759	-	1,166
Foreign exchange difference	25,563	2,829	-	-
	127,431	92,740	30,539	30,539
Accumulated Amortization:				
Balance at the beginning of the year	60,398	29,575	24,669	20,564
Amortisation charge	13,076	30,267	2,267	4,105
Foreign exchange difference	13,733	556	-	-
	87,207	60,398	26,936	24,669
Carrying value	40,224	32,342	3,603	5,870

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

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

31 Property, plant and equipment (Group)

<i>in thousands of Nigerian Naira</i>	Note	Leasehold building	Plant and machinery	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Capital work-in progress	Total
Cost:									
As at 1 January 2015		610,972	280,787	487,116	13,436	17,056	301,583	45,000	1,755,950
Additions		101,373	30,314	36,890	20,444	16,162	29,033	6,887	241,105
Transfer		45,000	-	-	-	-	-	(45,000)	-
Foreign exchange difference		19,878	1,168	9,088	(82)	-	2,095	-	32,147
Disposal		-	(31,040)	(261,371)	(486)	(433)	(432)	-	(293,761)
31 December 2015		777,223	281,230	271,723	33,313	32,785	332,279	6,887	1,735,441
Additions		38,152	620	75,367	3,784	7,174	77,057	-	202,155
Reclassification	30	-	-	-	-	-	6,887	(6,887)	-
Foreign exchange difference		107,227	4,438	31,909	3,167	-	13,824	-	160,565
Disposal		-	(33,293)	(15,000)	(324)	(3,898)	(10,342)	-	(62,857)
31 December 2016		922,603	252,995	363,999	39,940	36,061	419,705	-	2,035,303
Accumulated depreciation:									
As at 1 January 2015		182,184	197,934	359,519	10,031	15,577	141,330	-	906,575
Charge for the year		99,701	53,535	73,276	10,317	14,983	38,028	-	289,840
Disposal		-	(24,035)	(259,791)	(186)	(433)	(342)	-	(284,787)
Foreign exchange difference		1,378	714	7,094	614	-	846	-	10,647
31 December 2015		283,263	228,148	180,098	20,776	30,127	179,862	-	922,274
Charge for the year		105,886	24,149	53,273	6,199	2,421	57,617	-	249,545
Disposal		-	(33,087)	(15,000)	(243)	(3,435)	(5,535)	-	(57,301)
Foreign exchange difference		7,200	2,240	26,489	2,072	-	11,130	-	49,131
31 December 2016		396,349	221,450	244,860	28,804	29,113	243,073	-	1,163,649
Carrying amounts at:									
31 December 2016		526,254	31,545	119,139	11,136	6,948	176,632	-	871,654
31 December 2015		493,960	53,082	91,625	12,537	2,658	152,417	6,887	813,166

No leased assets are included in the above property, plant and equipment and the Group had no capital commitments as at 31 December 2016. The capital work-in progress is a control account for the acquisition of property, plant and equipment for which advance payments have been made but assets yet to be completed, delivered and available for use. None of the assets have been pledged as collateral.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

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

31 Property, plant and equipments (Company)

<i>in thousands of Nigerian Naira</i>	Leasehold building	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Capital work-in progress	Total
Cost:						
As at 1 January 2015	502,807	17,226	147,464	203,978	-	871,475
Additions	69,814	27,226	36,840	63,719	-	197,599
31 December 2015	572,621	44,452	184,304	267,697	-	1,069,074
Additions	38,000	620	52,000	71,885	-	162,505
Disposal	-	-	(15,000)	(4,899)	-	(19,899)
31 December 2016	610,621	45,072	221,304	334,682	-	1,211,679
Accumulated depreciation:						
As at 1 January 2015	169,928	7,888	82,234	112,515	-	372,565
Charge for the year	95,075	5,606	29,891	32,444	-	163,016
31 December 2015	265,003	13,494	112,125	144,959	-	535,581
Charge for the year	102,732	8,087	34,782	40,456	-	186,057
Disposal	-	-	(15,000)	(339)	-	(15,339)
31 December 2016	367,735	21,581	131,907	185,075	-	706,299
Carrying amounts at:						
31 December 2016	242,886	23,491	89,397	149,607	-	505,381
31 December 2015	307,618	30,958	72,179	122,738	-	533,493

No leased assets are included in the above property, plant and equipment, the Company had no capital commitments as at 31 December 2015. The capital work-in progress is a control account for the acquisition of property, plant and equipment for which advance payments have been made but assets yet to be completed, delivered and available for use. None of the assets have been pledged as collateral.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

32 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 11.56% per annum (2015: 11.93%) on statutory deposits are included in investment incomes (Note 9).

The deposit has been tested for adequacy as at 31 December 2016 and found to be adequate.

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Statutory deposit		200,000	200,000	200,000	200,000
		200,000	200,000	200,000	200,000

33 Deposit for investment in equity shares

Mutual Exploration and Production Limited		70,000	70,000	70,000	70,000
Avanage Nigeria Limited	33.1	-	70,000	-	70,000
		70,000	140,000	70,000	140,000

33.1 The shares for the Avantage Nigeria Limited was allotted during the year ended 31 December 2016 and subsequently reclassified to available-for-sale investments.

34 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).

<i>in thousands of Nigerian Naira</i>	Notes	GROUP	
		31 Dec-2016	31 Dec-2015
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.

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.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

34 Goodwill - Continued

Impairment test on goodwill

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 2016 was greater than its carrying amount and is thus not impaired.

The recoverable amount of N334million (2015: N344 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 2016.

- 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:

	2016	2015
Carrying amount of the CGU (in thousands of Nigerian Naira)	277,011	297,792
Discount rate	23%	22%
Period covered by management projections	5 years	5 years
Long-term growth rate	2.5%	5%

Sensitivity analysis

	Change required to trigger impairment	Change required to trigger impairment
Forecast free cash flow	50% reduction	37% reduction
Discount rate	16% higher	11% higher
Long-term growth rate	359% lower	97% 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.

35 Insurance contract liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Outstanding claims	35.1	2,156,727	929,365	2,025,882	888,367
Unearned premiums	35.2	1,422,414	1,187,440	1,184,131	955,744
		3,579,141	2,116,805	3,210,013	1,844,111
Current		3,579,141	2,116,805	3,210,013	1,844,111
Non-current		-	-	-	-
		3,579,141	2,116,805	3,210,013	1,844,111

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

35.1 Outstanding claims

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Group life	35.1.1	1,533,575	597,472	1,522,318	577,308
Individual life	35.1.2	84,195	245,727	84,195	245,727
Annuity	35.1.3	419,370	65,332	419,370	65,332
Non-life	35.1.4	119,587	20,834	-	-
		2,156,727	929,365	2,025,883	888,367

35.1.1 **Group life**

Outstanding claims

Claims reported by policyholders	895,702	325,748	884,445	239,784
Claims incurred but not reported (IBNR)	637,873	271,724	637,873	337,524
	1,533,575	597,472	1,522,318	577,308

Movement in Group life outstanding claims

At 1 January	597,472	840,546	577,308	840,546
Claims incurred in the current year	2,324,917	1,203,806	2,074,474	1,025,789
Claims paid during the year	(1,388,814)	(1,446,880)	(1,129,464)	(1,289,027)
At 31 December	1,533,575	597,472	1,522,318	577,308

The aging analysis of Group life outstanding claims

0 - 90	622,595	183,582	611,338	97,618
91 - 180	177,071	67,009	177,071	67,009
181 - 270	75,706	55,142	75,706	55,142
271 - 360	18,425	18,624	18,425	18,624
361 and above	1,905	1,391	1,905	1,391
No aging - IBNR	637,873	271,724	637,873	337,524
	1,533,575	597,472	1,522,318	577,308

35.1.2 **Individual life**

i *Outstanding claims*

Claims reported by policyholders	-	-	-	-
Claims incurred but not reported (IBNR)	84,195	245,727	84,195	245,727
	84,195	245,727	84,195	245,727

ii *Movement in individual life outstanding claims*

At 1 January	245,727	249,000	245,727	249,000
Claims incurred in the current year	(83,557)	73,344	(83,557)	73,344
Claims paid during the year	(77,975)	(76,617)	(77,975)	(76,617)
At 31 December	84,195	245,727	84,195	245,727

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

35.1 Outstanding claims - Continued

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
iii The aging analysis of individual life outstanding claims					
0 - 90		-	-	-	-
91 - 180		-	-	-	-
181 - 270		-	-	-	-
271 - 360		-	-	-	-
361 and above		-	-	-	-
No aging - IBNR		84,195	245,727	84,195	245,727
		84,195	245,727	84,195	245,727

35.1.3 **Annuity**

i *Movement in annuity*

At 1 January		65,332	34,699	65,332	34,699
Claims incurred in the current year		384,821	36,155	384,821	36,155
Claims paid during the year		(30,783)	(5,522)	(30,783)	(5,522)
At 31 December		419,370	65,332	419,370	65,332

35.1.4 **Non-life**

Movement in Non-life outstanding claims

At 1 January		20,834	4,438
Claims incurred in the current year		333,856	56,617
Claims paid during the year		(235,103)	(40,221)
At 31 December		119,587	20,834

35.2 **Unearned premiums**

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Group life		1,312,684	1,107,830	1,184,131	955,744
Non-life		109,730	79,610	-	-
		1,422,414	1,187,440	1,184,131	955,744

i *The movement in unearned premium*

At 1 January		1,187,440	701,591	955,744	524,044
Premiums written in the year	4.1	5,556,764	4,056,566	4,351,455	3,337,711
Premiums earned during the year	4	(5,321,790)	(3,570,717)	(4,123,068)	(2,906,011)
At 31 December		1,422,414	1,187,440	1,184,131	955,744

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

36 Investment contract liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Group deposit administration		233,274	224,389	220,630	215,319
Individual deposit administration		25,723,497	23,993,192	25,723,497	23,993,191
		<u>25,956,771</u>	<u>24,217,581</u>	<u>25,944,127</u>	<u>24,208,510</u>
Current		11,061,718	9,742,373	11,055,396	9,742,373
Non-current		14,895,053	14,475,208	14,888,731	14,466,137
		<u>25,956,771</u>	<u>24,217,581</u>	<u>25,944,127</u>	<u>24,208,510</u>

The movement in deposit administration funds

Balance at the beginning of the year		24,217,581	20,857,971	24,208,510	20,847,272
Deposits received during the year		12,338,438	12,862,465	12,338,438	12,862,465
Guaranteed interest		1,628,443	1,122,476	1,628,443	1,122,476
Withdrawals during the year		(12,227,691)	(10,625,331)	(12,231,264)	(10,623,703)
Balance at the end of the year		<u>25,956,771</u>	<u>24,217,581</u>	<u>25,944,127</u>	<u>24,208,510</u>

37 Trade payables

Reinsurance payables	37.1	66,576	24,777	46,465	17,980
Co-Insurance payables	37.2	5,635	-	5,635	-
Deferred commission		83,750	-	83,750	-
Commission payable		82,534	76,453	38,240	59,209
		<u>238,495</u>	<u>101,230</u>	<u>174,090</u>	<u>77,189</u>
Current		238,495	101,230	174,090	77,189
Non-current		-	-	-	-
		<u>238,495</u>	<u>101,230</u>	<u>174,090</u>	<u>77,189</u>

37.1 The movement in reinsurance payables

Balance at the beginning of the year		24,777	19,996	17,980	10,632
Addition during the year		140,211	71,208	120,100	78,556
Payments during the year		(98,412)	(66,427)	(91,615)	(71,208)
Balance at the end of the year		<u>66,576</u>	<u>24,777</u>	<u>46,465</u>	<u>17,980</u>

37.2 The movement in co-insurance payables

Balance, beginning of the year		-	61,326	-	61,326
Addition during the year		62,346	107,242	62,346	107,242
Payments during the year		(56,711)	(168,568)	(56,711)	(168,568)
		<u>5,635</u>	<u>-</u>	<u>5,635</u>	<u>-</u>

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

38 Other liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Accruals		504,948	252,749	194,993	65,827
Rent received in advance		25,084	51,250	25,084	51,250
Land deduction		285		285	
National Insurance Commission levy		80,000	73,141	80,000	73,141
PAYE		3,457	4,295	2,410	3,286
VAT payable		413,497	367,802	88,573	98,830
WHT payable		26,133	55,764	37,197	855
Staff pension		3,503	8,211	-	4,520
ATM working capital		12,889	25,935	-	-
Amount due to related party		86,686	162,829	107,622	162,829
Amount due to Directors		18,051	4,778	985	-
National Housing Fund		463	444	463	444
Cooperative deductions		3,185	3,671	3,185	2,910
Deposit for premium		579,228	437,676	579,228	437,676
Provision for NAICOM levy		-	-	-	-
Sundry creditors		196,633	141,909	49,746	101,625
Other Creditors		23,916	-	2,291	-
Deposit for facility management		37,418	37,107	37,418	37,106
Deposit for properties by customers		74,126	23,809	74,126	23,809
		2,089,502	1,651,370	1,283,606	1,064,108
Current		1,703,350	1,651,370	897,454	1,064,108
Non-current		386,152	-	386,152	-
		2,089,502	1,651,370	1,283,606	1,064,108

39 Deposit liabilities

Current		78,858	206,115	-	-
Time		37,522	187,782	-	-
Savings		87,465	115,970	-	-
		203,845	509,867	-	-
Current		203,845	509,867	-	-
Non-current		-	-	-	-
		203,845	509,867	-	-

40 Deposit for shares

In December 2015 Deposit for shares of ₦2 billion was received from Mutual Benefits Assurance Plc (parent company). The deposit is in respect of 100,000,000 units of ordinary shares of Mutual Benefits Life Assurance Limited at ₦20 each. During the current year, the Company obtained Certificate of Registration of Increase in Share Capital from Corporate Affairs Commission to accommodate the additional shares of 150,000,000 units of ordinary shares at ₦1 each and also registered the 100,000,000 shares allotted to the parent company.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

41 Income tax liabilities

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance, beginning of year		203,452	234,431	135,183	179,552
Current year charge:					
Company income tax		48,501	30,453	-	-
Education tax		578	441	-	-
Information technology tax		1,569	3,786	1,569	3,092
Minimum tax		83,015	14,078	81,411	14,078
	18.1	133,663	48,758	82,980	17,170
Payments during the year		(51,005)	(79,737)	(2,372)	(61,539)
Balance at the end of the year		286,110	203,452	215,791	135,183

42 Deferred tax

Deferred tax liabilities	42.2	(417,513)	(415,136)	(58,046)	(54,260)
Net deferred tax liabilities		(417,513)	(415,136)	(58,046)	(54,260)

42.1 Movement in Deferred income tax asset

Balance at the beginning of the year	-	16,074	-	16,074
Charge in profit or loss for the year	-	(16,074)	-	(16,074)
Balance at the end of the year	-	-	-	-

42.2 Movement in Deferred tax liabilities

Balance at the beginning of the year	415,136	425,120	54,260	42,918
(Credit)/charge in profit or loss for the year	2,377	(9,984)	3,786	11,342
Balance at the end of the year	417,513	415,136	58,046	54,260

Deferred tax liability is attributable to the following:

Property, plant and equipment	122,424	120,047	23,684	19,898
Investment properties	295,089	295,089	34,362	34,362
	417,513	415,136	58,046	54,260

Unrecognised deferred tax assets

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Property and equipment		219,379	175,250	219,379	175,250
Tax losses		2,309,080	1,624,100	2,309,080	1,624,100
Balance, end of year		2,528,459	1,799,349	2,528,459	1,799,349

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

43 Share capital

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
<i>Share capital comprises:</i>					
43.1 Authorized:					
300,000,000 (2015: 150,000,000)					
Ordinary shares of ₦1.00 each		300,000	150,000	300,000	150,000
43.2 Issued and fully paid:					
250,000,000 (2015:150,000,000)					
Ordinary shares of ₦1.00 each					
Balance at the beginning of the year		150,000	150,000	150,000	150,000
Issued in January 2016		100,000	-	100,000	-
Balance at the end of the year		250,000	150,000	250,000	150,000

The authorised ordinary shares were increased to 300,000 000 ordinary shares at ₦1.00 each. The issued and fully paid ordinary shares were also increased to 250,000,000 as a result of the ₦2 billion capital injected into the Company by the Mutual Benefits Assurance Plc (parent company) for 100,000,000 units of ordinary shares at ₦20 each.

44 Share premium

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance at the beginning of the year		1,850,000	1,850,000	1,850,000	1,850,000
Increase during the year		1,900,000	-	1,900,000	-
Balance at the end of the year		3,750,000	1,850,000	3,750,000	1,850,000

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution. The increase is as a result of the ₦2 billion capital injected into the Company by the Mutual Benefits Assurance Plc (parent company) for 100,000,000 units of ordinary shares at ₦20 each with par value of ₦1, the excess of ₦19 per share gives rise to increase of ₦1.9 billion in share premium.

45 Foreign currency translation reserve

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

46 Contingency reserve

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

<i>in thousands of Nigerian Naira</i>	GROUP		COMPANY	
	31 Dec-2016	31 Dec-2015	31 Dec-2016	31 Dec-2015
Balance, beginning of the year	310,130	276,753	310,130	276,753
Transfer from retained earnings	43,515	33,377	43,515	33,377
Balance, end of year	353,645	310,130	353,645	310,130

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

47 **Retained earnings**

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

48 **Non-controlling interests in equity**

<i>in thousands of Nigerian Naira</i>	Notes	GROUP	
		31 Dec-2016	31 Dec-2015
Opening balance		127,154	91,694
Changes in equity		-	12,738
Dividend		(8,127)	-
Transfer from total comprehensive income		4,580	22,722
Balance as at year end		123,607	127,154

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP	
		31 Dec-2016	31 Dec-2015
NCI percentage		20%	20%
Cash and cash equivalents		36,005	138,475
Loans and receivables		460,353	695,926
Other receivables		26,199	32,697
Intangible assets		3,920	-
Property, plants and equipment		28,233	40,045
Other liabilities		(51,102)	(66,632)
Deposit liabilities		(203,845)	(509,867)
Current income tax liabilities		(16,212)	(24,295)
Deferred tax liabilities		(6,542)	(8,557)
Net assets		277,011	297,792
Carrying amount of NCI		55,602	59,558
Income		227,614	329,037
Expenses		(247,806)	(259,664)
Profit before tax		(20,192)	69,374
Profit after tax		(19,781)	62,327
Profit allocated to NCI (20%)		(3,956)	12,466
Cash flows from operating activities		(100,654)	32,575
Cash flows from investing activities		14,184	(3,584)
Cash flows from financing activities		(1,000)	-
Net increase in cash and cash equivalents		(87,470)	28,990

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Profit before income tax		186,385	149,745	156,861	151,832
Adjustments for non-cash items:					
Reversal of impairment charge on loans and receivables	12	(33,435)	-	-	(160,702)
Impairment charge on loans and receivables	13	10,574	25,895	10,574	-
Depreciation of property, plant and equipment (PPE)	31	249,545	301,084	186,057	163,016
Amortisation of intangible assets	30	13,076	30,267	2,267	4,105
Interest income		(154,985)	(249,891)	-	-
Interest on finance lease receivables		(19,261)		(19,261)	
Interest expenses		27,681	29,848	-	-
(Gain)/loss on disposal of PPE	11/15	(2,830)	(79,729)	(7,291)	-
Foreign exchange gain on cash and cash equivalents		(35,731)	(8,103)	(33,757)	(8,103)
Fair value loss/(gain) on investment properties	28	5,275	(151,651)	5,275	(116,651)
Cash flows from operating activities before changes in operating assets and liabilities		246,294	47,465	300,725	33,497
Changes in operating assets and liabilities					
Trade receivables		(215,688)	(100,862)	-	-
Reinsurance assets		(623,635)	137,097	(585,292)	141,732
Other receivables and prepayments		904,330	(1,359,603)	2,391	(178,742)
Deferred acquisition costs		(44,474)	(9,502)	(44,474)	(9,502)
Loans and receivables		(2,257,854)	(2,015,484)	(2,103,957)	(1,935,238)
Available for sale		(64,786)	-	(37,436)	-
Provision for unearned premium		234,974	485,849	228,387	431,700
Inventories		200,300	1,471,304	-	-
Provision for outstanding claims		1,227,362	(199,318)	1,137,516	(235,878)
Investment contract liabilities		1,739,190	3,359,610	1,735,617	3,361,238
Trade payables		137,265	19,908	96,900	5,232
Other payables		402,324	(1,302,195)	219,499	(1,309,688)
Deposit liabilities		(306,022)	24,586	-	-
Income tax paid	41	(51,004)	(79,737)	(2,372)	(61,539)
Net cash flows from operating activities		1,528,576	479,118	947,504	242,812

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

50 **Supplementary statement of profit or loss information**

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
₦220,001 - ₦720,000		76	30	20	30
₦720,001 - ₦1,400,000		114	78	55	58
₦1,400,001 - ₦2,050,000		34	46	25	23
₦2,050,001 - ₦2,330,000		16	28	6	10
₦2,330,001 - ₦2,840,000		6	12	6	5
₦2,840,001 - ₦3,000,000		3	1	1	-
₦3,000,001 - ₦4,500,000		20	24	13	18
₦4,500,001 - ₦5,950,000		8	11	7	2
₦5,950,001 - ₦6,800,000		2	9	1	-
₦6,800,001 - ₦7,800,000		10	16	9	7
₦7,800,001 - ₦8,600,000		2	3	2	2
₦8,600,001 - ₦11,800,000		6	5	4	5
Above ₦11,800,000		6	5	5	5
Balance, end of year		303	268	154	165

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

	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Executive Directors		4	1	1	1
Management staff		42	53	23	43
Non management staff		261	215	131	122
		307	269	155	166

ii **Directors' remuneration:**

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Executive compensation		104,116	42,263	55,757	28,250
Other directors expenses		24,000	65,333	24,000	65,333
		128,116	107,596	79,757	93,583

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

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

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Chairman		30,000	31,150	30,000	30,000
Highest paid director		55,757	29,850	55,757	28,250

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
N500,000- N1,500,000		3	3	3	3
Above N2,000,000		3	0	0	0
		6	3	3	3

51 **Related parties**

Parent

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

Subsidiaries

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

Transactions with key management personnel

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

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

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
Key management compensation					
Salaries and other short-term benefits		104,116	42,263	55,757	28,250
Directors fees and allowance		97,638	71,763	50,533	50,200
Defined contribution pension		2,400	1,805	2,400	1,805
Other directors expenses		24,000	65,333	24,000	65,333
		228,154	181,164	132,690	145,588

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

51 Related parties - Continued

Transactions with key management personnel

<i>in thousands of Nigerian Naira</i>	Notes	GROUP		COMPANY	
		2016	2015	2016	2015
<i>Loans and advances to Directors</i>					
Balance at 1 January		88,418	-	88,418	-
Granted during the year		11,000	95,000	11,000	95,000
Repayments		(23,364)	(6,582)	(23,364)	(6,582)
At 31 December		76,054	88,418	76,054	88,418
Interest earned		18,143	6,617	18,143	6,617

Loans to key management personnel include mortgage loans which are given under terms that are no more favourable than those given to other staff. Mortgage loans amounting to ₦11,000,000 (2015: ₦95,000,000) are secured by the underlying assets.

No impairment allowance has been recognised in respect of loans given to key management personnel (2015:Nil).

<i>Loans and advances to subsidiaries</i>	2016	2015
	₦'000	₦'000
Mutual Homes and Properties Limited	1,050,496	1,303,978

<i>in thousands of Nigerian Naira</i>	COMPANY	
	31 Dec-2016	31 Dec-2015
Granted during the year	-	237,500
Repayment	(253,482)	(1,884,213)
Interest earned	-	133,029

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

<i>in thousands of Nigerian Naira</i>	Name of related party	Nature of relationship	Types of transaction	COMPANY	
				31 Dec-2016	31 Dec-2015
Receivables					
	Mutual Homes & Properties Ltd	Subsidiary	Loans	1,050,496	1,303,978
	Mutual Benefits Microfinance Bank Ltd	Subsidiary	Current account	5,462	18,150
	Mutual Benefits Microfinance Bank Ltd	Subsidiary	Fixed deposit	122,521	237,343
Payable					
	Mutual Benefits Assurance Plc	Parent	Intercompany	86,686	162,829
	Mutual Benefits Liberia	Subsidiary	Intercompany	20,936	-

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

52 Contingent liabilities

Litigation and claims

The Company is presently involved in six litigations with estimated claims of ₦4,625,000 (2015: ₦971,000). In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2016.

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.

53 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:

	Number of infractions	Penalty
Late submission of third quarter 2015 statutory returns	1	5,000

54 Event after the reporting date

There were no events after reporting date that requires disclosure or adjustment in the consolidated and separate financial statement that has not been disclosed or adjusted.

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (FIVE-YEAR FINANCIAL SUMMARY)

Group - Statement of financial position

As at

in thousands of Nigerian Naira

	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013	31 Dec-2012
ASSETS					
Cash and cash equivalents	6,929,420	9,904,869	8,000,844	2,545,132	700,779
Financial assets:					
Available-for-sale investment securities	827,822	693,036	505,400	-	-
Loans and receivables	11,639,228	11,039,430	8,545,925	8,470,687	6,639,344
Held-to-maturity	6,183,731	-	-	-	-
Trade receivables	359,622	143,934	43,072	8,380	47,817
Reinsurance assets	814,046	190,411	327,508	156,784	1,930,249
Other receivables	655,490	848,728	742,408	2,644,581	1,381,526
Deferred acquisition costs	105,285	60,811	51,309	66,351	38,126
Finance lease receivables	272,084	376,138	407,179	467,666	552,924
Inventories	1,332,864	1,533,164	3,004,468	3,614,524	4,599,587
Investments properties	8,670,390	8,675,665	6,937,764	1,846,398	-
Intangible assets	40,224	32,342	11,577	14,486	21,647
Property, plant and equipment	871,654	813,166	849,375	416,592	496,834
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Deposit for investment in equity shares	70,000	140,000	460,000	-	-
Deferred tax assets	-	-	16,074	16,074	16,074
Goodwill	1,543	1,543	17,980	4,273	4,273
Total assets	38,973,403	34,653,237	30,120,883	20,471,928	16,629,180
LIABILITIES					
Insurance contract liabilities	3,579,141	2,116,805	1,830,274	1,740,176	3,497,696
Investment contract liabilities	25,956,771	24,217,581	20,857,971	14,927,699	10,669,509
Trade payables	238,495	101,230	81,322	73,279	34,367
Other liabilities	2,089,502	1,651,370	2,923,717	2,051,999	874,981
Deposit for shares	-	2,000,000	-	-	-
Deposit liabilities	203,845	509,867	485,281	277,369	197,688
Borrowings	-	-	-	603,192	317,610
Current income tax liabilities	286,110	203,452	234,431	191,199	156,468
Deferred tax liabilities	417,513	415,136	425,120	137,592	81,986
Total liabilities	32,771,377	31,215,441	26,838,116	20,002,505	15,830,305
EQUITY					
Share capital	250,000	150,000	150,000	150,000	150,000
Share premium	3,750,000	1,850,000	1,850,000	1,850,000	1,850,000
Foreign currency translation reserve	906,502	184,491	127,775	-	-
Contingency reserve	353,645	310,130	276,753	219,845	444,938
Retained earnings/(accumulated losses)	818,272	816,021	786,545	(1,783,855)	(1,676,069)
Shareholders' fund	6,078,419	3,310,642	3,191,073	435,990	768,869
Owners of the parent	6,078,419	3,310,642	3,191,073	435,990	768,869
Non-controlling interests in equity	123,607	127,154	91,694	33,433	30,006
Total equity	6,202,026	3,437,796	3,282,767	469,423	798,875
Total liabilities and equity	38,973,403	34,653,237	30,120,883	20,471,928	16,629,180

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (FIVE-YEAR FINANCIAL SUMMARY)

Group- Statement of profit or loss

For the year ended

in thousands of Nigerian Naira

	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013	31 Dec-2012
Gross premium written	5,556,764	4,056,566	4,096,522	2,534,143	2,700,936
Premium earned	5,321,790	3,570,717	4,188,470	2,170,345	2,675,919
Profit/(loss) before income tax	186,385	149,745	2,887,279	(536,955)	(89,742)
Income tax expense	(136,039)	(54,848)	(250,236)	(93,367)	(64,627)
Profit/(loss) after income tax	50,346	94,897	2,637,043	(630,322)	(154,369)
Transfer to contingency reserve	(43,515)	(33,377)	(56,908)	(25,341)	(277,443)
Earnings per share- Basic (kobo)	18	50	1,752	(420)	(107)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (FIVE-YEAR FINANCIAL SUMMARY)

Company - Statement of financial position

As at

in thousands of Nigerian Naira

	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013	31 Dec-2012
ASSETS					
Cash and cash equivalents	6,157,695	9,410,464	7,573,638	2,437,248	664,296
Financial assets:					
Available-for-sale investment securities	716,472	609,036	-	12,007,347	-
Loans and receivables	11,193,259	11,034,276	10,585,049	8,380	11,132,895
Held-to-maturity	6,183,731	-	-	-	-
Trade receivables	-	-	-	-	47,817
Reinsurance assets	771,068	185,776	327,508	156,784	1,930,249
Other receivables	521,088	534,055	314,349	2,621,630	1,884,484
Deferred acquisition costs	105,285	60,811	51,309	66,351	38,126
Finance lease receivables	181,810	317,930	407,143	467,544	552,802
Investment properties	8,670,390	8,675,665	6,937,764	1,846,398	-
Investments in subsidiaries	896,981	896,981	896,981	175,038	181,331
Investments in associates	-	-	-	-	-
Intangible assets	3,603	5,870	8,809	10,774	15,918
Property, plant and equipment	505,381	533,493	498,910	167,825	102,163
Statutory deposit	200,000	200,000	200,000	200,000	200,000
Deposit for shares	70,000	140,000	460,000	-	-
Deferred tax assets	-	-	16,074	16,074	16,074
Total assets	36,176,763	32,604,357	28,277,534	20,181,393	16,766,155
LIABILITIES					
Insurance contract liabilities	3,210,013	1,844,111	1,648,289	1,704,176	3,497,696
Investment contract liabilities	25,944,127	24,208,510	20,847,272	14,927,699	10,669,509
Trade payables	174,090	77,190	71,958	73,279	34,367
Other liabilities	1,283,606	1,064,107	2,373,795	719,839	235,746
Deposit for shares	-	2,000,000	-	-	-
Current income tax liabilities	215,791	135,183	179,552	157,779	127,431
Deferred tax liabilities	58,046	54,260	42,918	31,264	12,339
Total liabilities	30,885,673	29,383,361	25,163,784	17,614,036	14,577,088
EQUITY					
Share capital	250,000	150,000	150,000	150,000	150,000
Treasury shares	3,750,000	1,850,000	1,850,000	1,850,000	1,850,000
Contingency reserve	353,645	310,130	276,753	219,845	444,938
Retained earnings/(accumulated losses)	937,445	910,866	836,997	347,512	(255,871)
Total equity	5,291,090	3,220,996	3,113,750	2,567,357	2,189,067
Total liabilities and equity	36,176,763	32,604,357	28,277,534	20,181,393	16,766,155

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 1 (FIVE-YEAR FINANCIAL SUMMARY)

Company - Statement of profit or loss

For the year ended

in thousands of Nigerian Naira

	31 Dec-2016	31 Dec-2015	31 Dec-2014	31 Dec-2013	31 Dec-2012
Gross premium written	4,351,455	3,337,711	3,543,233	2,534,143	2,700,936
Premium earned	4,123,068	2,906,011	3,812,728	2,179,345	2,675,919
Profit/(loss) before income tax	156,861	151,832	505,658	126,693	(154,792)
Income tax (expense)/benefit	(86,767)	(44,586)	40,735	(49,273)	(20,050)
Profit/(loss) after income tax	70,094	107,246	546,393	77,420	(174,842)
Transfer to contingency reserve	43,515	(33,377)	(56,908)	(25,341)	(277,443)
Earnings per share- Basic (kobo)	28	71	364	52	(117)

MUTUAL BENEFITS LIFE ASSURANCE LIMITED

APPENDIX 2 (STATEMENT OF VALUE ADDED)

<i>For the year ended 31 December in thousands of Nigerian Naira</i>	GROUP				COMPANY			
	2016	%	2015	%	2016	%	2015	%
Gross premium written	5,556,764		4,056,566		4,351,455		3,337,711	
Net benefits and claims	(2,344,716)		(1,250,060)		(1,850,262)		(1,051,985)	
Premiums ceded to reinsurers	(195,634)		(106,777)		(173,181)		(95,286)	
Other charges	(2,328,017)		(1,680,296)		(1,516,479)		(1,516,620)	
Fees and commission income	118,041		23,053		116,754		21,767	
	806,438		1,042,486		928,287		695,587	
Investment income	406,147		124,879				234,633	
Value added	1,212,585	100%	1,167,365	100%	928,287	100%	930,220	100%
Applied to pay:								
Employee benefits	982,685	81%	984,243	84%	727,911	78%	745,011	80%
Government as tax	136,039	11%	54,848	5%	86,767	9%	44,586	5%
Retained in the business:								
Contingency reserve	43,515	4%	33,377	3%	43,515	5%	33,377	4%
Retained profit for the year	45,766	4%	75,591	6%	70,094	8%	107,246	12%
Non-controlling interests	4,580	0%	19,306	2%				
Value added	1,212,585	100%	1,167,365	100%	928,287	100%	930,220	100%

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