

UNION HOMES SAVINGS AND LOANS PLC
Statement of Financial Position
As at period ended September 30, 2014

		Unaudited Account	Audited Account
	NOTES	9/30/2014	12/31/2013
ASSETS			
Cash & Cash equivalents	27	56,172	71,291
Loans and advances to customers	28	9,440,525	9,712,766
Investment Securities	29	2,541,380	2,573,420
Investments in equity-accounted investee		5,434,478	5,434,478
Investment properties	30	4,348,571	4,348,571
Property and equipment		628,796	791,736
Intangible assets		102,140	205,431
Deferred tax assets		-	-
Other assets	31	26,522	348,645
TOTAL ASSETS		22,578,584	23,486,338
LIABILITIES			
Deposits from customers	32	30,479,739	30,005,692
Current tax liabilities		116,215	116,250
Deferred tax liabilities		173,834	173,834
Other liabilities	33	3,502,031	3,838,983
Employee benefit obligations	34	428,830	365,220
Other borrowed funds	35	2,469,907	2,259,101
TOTAL LIABILITIES		37,170,556	36,759,080
EQUITY			
Share Capital		3,906,250	3,906,250
Share Premium		2,033,088	2,033,088
Statutory reserves		1,212,963	1,212,963
Fair value reserves		(546,778)	(546,778)
Regulatory Reserve		3,684,201	3,684,201
Retained deficits		(24,881,696)	(23,562,466)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		(14,591,972)	(13,272,742)
TOTAL LIABILITIES AND EQUITY		22,578,584	23,486,338

UNION HOMES SAVINGS AND LOANS PLC
Statement of Comprehensive Income
for the period ended 30 September, 2014

	Unaudited Account 9/30/2014	Unaudited Account 9/30/2013
Interest Income	24 706,627	2,414,959
Interest Expense	25 (2,240,249)	(2,609,132)
Net Interest Income	<u>(1,533,622)</u>	<u>(194,173)</u>
Net fee and commission income	13,079	58,247
Net trading (loss)/income	-	-
Other Operating income	285,555	93,610
Operating income	<u>(1,234,988)</u>	<u>(42,316)</u>
Net impairment on financial assets	26 1,084,021	(933,027)
Net operating income(loss) after impairment loss on financial assets	<u>(150,967)</u>	<u>(975,343)</u>
Personnel expenses	(302,766)	(927,636)
Depreciation and amortization	(266,231)	(289,438)
Other operating expenses	(599,299)	(782,456)
Total expenses	<u>(1,168,296)</u>	<u>(1,999,530)</u>
Net operating loss after impairment loss on financial assets & total expense	(1,319,263)	(2,974,873)
Share of profit of equity-accounted investee	-	-
Loss before minimum and income tax	<u>(1,319,263)</u>	<u>(2,974,873)</u>
Taxation	-	(12,221)
Loss for the period	<u>(1,319,263)</u>	<u>(2,987,094)</u>
Other comprehensive income, net of income tax		
Fair value gains/(losses) on available for sale investments bonds & equities	-	-
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	<u>(1,319,263)</u>	<u>(2,987,094)</u>
Loss attributable to:		
Equity holders of the Mortgage Bank	<u>(1,319,263)</u>	<u>(2,987,094)</u>
Loss for the period	<u>(1,319,263)</u>	<u>(2,987,094)</u>
Total comprehensive income attributable to:		
Equity holders of the Mortgage Bank	<u>(1,319,263)</u>	<u>(2,987,094)</u>
EPS per share (k)- basic and diluted	(17)	(38)

UNION HOMES SAVINGS AND LOANS PLC
Statement of cashflows
As at period ended 30 September, 2014

	UNAUDITED 30, September 2014 =N=000	UNAUDITED 30, September 2013 =N=000
Cash flows from operating activities:		
Loss for the period	(1,319,263)	(2,945,094)
Adjustments for:		
Depreciation of property and equipment	266,231	289,438
Amortization of intangible assets	-	-
Net Interest Income	-	-
Share of profit in associate	-	-
Additional provision for defined benefit obligation	10,589	31,372
Benefit paid on defined benefit obligation	-	-
Fair value loss on investment properties	-	-
Net impairment loss on financial assets	-	933,027
Net impairment on other assets	828	-
Loss on disposal of investment securities	-	-
Profit on disposal of investment property	-	24,837
Profit on disposal of property and equipment	-	(7)
Dividend on available for sale equity securities	(235,296)	(16,885)
Income tax expenses/(credit)	-	12,221
	<u>(1,276,911)</u>	<u>(1,671,091)</u>
Change in loans and advances to customers	(2,443,946)	(2,436,819)
Change in available-for-sale investment securities	32,115	500,000
Change in other assets	244,107	1,098,227
Change in deposits from customers	474,047	(3,882,144)
Change in other liabilities	(336,952)	465,863
Change in employee benefit obligation	(203,805)	333,239
	<u>(3,511,345)</u>	<u>(5,592,725)</u>
Interest Received	5,215,034	
Interest Paid	(2,240,249)	
Dividend on available for sale equity securities	235,296	
Dividend from equity accounted investees	-	
Income tax paid	-	-
Net cash provided by/(used in) operating activities	<u>(301,264)</u>	<u>(5,592,725)</u>
Cash flows from investing activities		
Proceeds from disposal of investment securities	39,014	5,840,389
Dividend on available for sale equity securities	-	16,885
Purchase of investments securities	-	-
Purchase of property and equipment	-	(7,869)
Proceeds from the sale of property and equipment	-	7
Purchase of intangible assets	-	-
Purchase of investment properties	-	(7,870)
Proceeds from disposal of investment properties	-	1,335,398
Net cash provided by investing activities	<u>39,014</u>	<u>7,176,940</u>
Cash flows from financing activities		
Increase in long term borrowings	210,806	(3,362,885)
Interest paid on long term borrowings	-	-
Net cash (used in)/provided by financing activities	<u>210,806</u>	<u>(3,362,885)</u>
Net (decrease) /increase in cash and cash equivalents	<u>(51,444)</u>	<u>(1,778,670)</u>
Cash and cash equivalents at beginning of period	107,616	1,886,286
Cash and cash equivalents at September 30, 2014	<u>56,172</u>	<u>107,616</u>

Statement of changes in equity
For the period ended 30 September, 2014

In thousands of Naira	Share Capital	Share premium	Statutory reserves	Fair value reserves	Regulatory reserve	Retained (deficit)	Total equity
Balance at 1 January 2014	3,906,250	2,033,088	1,212,963	(546,778)	3,684,201	(23,562,433)	(13,272,709)
Profit (Loss)	-	-	-	-	-	(1,319,263)	(1,319,263)
Other comprehensive income							
Foreign currency translation difference	-	-	-	-		-	-
Fair value reserve (available-for-sale) financial assets - bonds	-	-	-			-	-
Fair value reserve (available-for-sale) financial assets - equities	-	-	-				-
Total Income	-	-	-	-		(1,319,263)	(1,319,263)
Transactions with equity holders, recorded directly in equity:							
Transfer to regulatory reserve							-
Reversal of prior period							-
Total contributions by and distributions to equity holders	-	-	-	-		-	-
Balance at 30 September, 2014	3,906,250	2,033,088	1,212,963	(546,778)	3,684,201	(24,881,696)	(14,591,972)

In thousands of Naira	Share Capital	Share premium	Statutory reserves	Fair value reserves	Regulatory reserve	Retained (deficit)	Total equity
Balance at 1 January 2013	3,906,250	2,033,088	1,212,963	(805,201)	-	(17,591,274)	(11,244,174)
Profit (Loss) for the period	-	-	-	-		(2,987,094)	(2,987,094)
Other comprehensive income							
Foreign currency translation difference	-	-	-	-		-	-
Fair value reserve (available-for-sale) financial assets-bonds	-	-	-			-	-
Reversal/Adjustment of prior period	-	-	-	1,766,113		(138,445)	1,627,668
Fair value reserve (available-for-sale) financial assets-unquoted equities				-			-
Balance at 30 September, 2013	3,906,250	2,033,088	1,212,963	960,912		(20,716,813)	(12,603,600)

Notes to the Accounts

1 Reporting Entity

Union Homes Savings and Loans PLC (“the Mortgage Bank or the Company”) is a Mortgage Bank domiciled in Nigeria. The address of the Mortgage Bank’s registered office is 153 Ikoro Road, Onipanu, Lagos. The Mortgage Bank is primarily involved in the provision of mortgage facilities to corporate institutions and individuals.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). These are the Mortgage Bank’s first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS 1 First-time adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cashflow of the Mortgage Bank is provided in note 39. This note includes reconciliations of statement of financial position, comprehensive income and equity for comparative periods reported under Statement of Accounting Standards of Nigeria (SAS) as issued by the Financial Reporting Council of Nigeria to those reported under IFRS.

The financial statements were authorised for issue by the board of directors on 16 April 2013.

(b) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Mortgage Bank’s functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement

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

- available-for-sale financial assets measured at fair value;
- investment property measured at fair value;
- defined benefit obligations are recognized at fair value
- financial instruments measured at fair value through profit or loss; and
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(d) Use of estimates and judgements

The preparation of 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Information about significant areas of estimation uncertainty 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 5 to the financial statements.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note xxx.

3 Summary of significant accounting policies

The principal accounting policies adopted by the Mortgage Bank in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Mortgage Bank for the current and prior periods.

3.1 Basis of accounting for investments in equity accounted investee companies

(a) Associates

Associates are those entities in which the Mortgage Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Mortgage Bank holds 20 to 50 percent of the voting power of another entity. The individual financial statements include the Mortgage Bank’s share of the total recognised gains and losses of associates on an equity-accounted basis from the date that significant influence commences until the date that significant influence ceases. When the Mortgage Bank’s share of losses exceeds its interest in an associate, the Mortgage Bank’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Mortgage Bank has incurred legal or constructive obligations or made payments on behalf of an associate.

(b) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Mortgage Bank has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investment in jointly controlled entities are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The financial statements include the Mortgage Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Mortgage Bank, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Mortgage Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Mortgage Bank has an obligation or has made payments on behalf of the investee.

(b) Transaction eliminated on consolidation

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

3.2 Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For a non-monetary financial asset held for trading and for non-monetary financial assets designated at fair value through profit or loss, unrealized exchange differences are recognized in the income statement. For non-monetary financial investments available-for-sale, unrealized exchange differences are recorded directly in equity until the asset is sold or becomes impaired.

3.3 Interest income and expenses

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within interest income and interest expense in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Mortgage Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the statement of comprehensive income.

3.4 Net fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.5 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest, rental income, dividend and foreign exchange differences on trading assets.

3.6 Other operating income

Other operating income comprises dividend income, foreign exchange gain or losses and gain on disposal of properties and equipment. Other operating income are recognised when the services are provided or the input to receive income is established.

3.6.1 Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income and are recognised net of withholding tax.

2.9 Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.7 Current and deferred tax

Income tax expense comprises current and deferred taxes. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- (i) temporary differences arising on the initial recognition of goodwill;
- (ii) temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- (iii) temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.
- (iv) temporary differences arising from investment property measured at fair value whose carrying amount will be recovered through use.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Mortgage Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.8 Financial Instrument

(a) Initial recognition

(i) Classification

The Mortgage Bank classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale and financial liabilities are designated at fair value through profit or loss or held as other financial liabilities. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

(ii) Recognition

All financial instruments are initially recognized at fair value, which includes directly attributable transaction costs for financial instruments not classified as fair value through profit and loss. Financial instruments are derecognized when the rights to receive cash flows from the financial instruments have expired or where the Mortgage Bank has transferred substantially all risks and rewards of ownership.

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(i) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Mortgage Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassification after the Mortgage Bank has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Mortgage Bank's control that could not have been reasonably anticipated.

(ii) Financial assets held at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

A group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in other operating income. Trading assets are not reclassified subsequent to their initial recognition.

(iii) Available-for-sale

Financial assets classified by the Mortgage Bank as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in fair value reserve in equity until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in equity are recognised in the statement of comprehensive income.

Interest income, calculated using the effective interest method, is recognised in the statement of comprehensive income. Dividends received on available-for-sale instruments are recognised in income statement when the Mortgage Bank's right to receive payment has been established.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Mortgage Bank as at fair value through profit or loss, or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Mortgage Bank's loans and advances are included in the loans and receivable category.

(v) Financial liabilities

Financial liabilities designated at fair value through profit or loss is measured at fair value with fair value changes recognised in the statement of comprehensive income. Other financial liabilities are measured at amortised cost with changes in amortised cost recognised in the statement of comprehensive income.

c) Fair value measurement

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Mortgage Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Mortgage Bank establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Mortgage Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument.

The Mortgage Bank uses valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. The best evidence of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the instrument is closed out. Fair value reflects the credit risk of the instrument and includes adjustments to take account of the credit risk of the Mortgage Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Mortgage Bank believes a third-party market participant would take this into account in pricing a transaction.

(d) Impairment of financial assets

(a) Financial assets

Assets carried at amortised cost (loans and receivables and held to maturity instruments)

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

The following factors are considered in assessing objective evidence of impairment:

whether the customer's obligation is more than 90 days past due;

the Mortgage Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or

there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Mortgage Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are computed on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

To the extent that a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the statement of comprehensive income, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

When an available-for-sale financial instrument is carried at cost because fair value is not reliably measured, an impairment loss is measured as the difference between the carrying amount and the present value of estimated future cashflows discounted at current market rate of return for similar instruments.

(e) Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Mortgage Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Mortgage Bank's activity.

(f) Derecognition of financial instruments

The Mortgage Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Mortgage Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Any interest in transferred financial assets that is created or retained by the Mortgage Bank is recognised as a separate asset or liability.

The Mortgage Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Mortgage Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Mortgage Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.9 Impairment of non-financial assets

The carrying amounts of the Mortgage Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

The recoverable amount of goodwill is estimated at each reporting date.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

3.10 Sale and repurchase agreements

Securities sold subject to linked repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included in deposit from Banks, or other deposits, as appropriate.

3.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Mortgage Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.12 Property and equipment

(i) Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Mortgage Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*.

The estimated useful lives for the current and comparative period are as follows:

Leasehold land	Over the shorter of the useful life of item or lease period
Leasehold improvements	Over the shorter of the useful life of item or lease period
Land and Buildings	40 years
Computer hardware	5 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Capital work in progress	Not depreciated

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. Gains and losses are included in the profit and loss account for the period.

(iv) De-recognition

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

3.13 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss in other income. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

In an active market, an independent valuer, holding a recognized and relevant professional qualification and with recent experience in the location and category of investment property being valued, values the portfolio annually. Any gain and loss arising from a change in the fair value is recognized in the statement of comprehensive income.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent measurement.

3.14 Intangible assets

Purchased software

Software acquired by the Mortgage Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Mortgage Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

3.15 Leases

(a) *Leased assets - lessee*

Leases in terms of which the Mortgage Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating lease.

(b) *Lease payments made*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2.21 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Company that generates cash flows that largely are independent from other assets and Companies. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Company of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(t) *Underwriting expenses*

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, proportion of staff cost and insurance supervision levy.

Underwriting expenses for insurance contracts and investment contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

3.16 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are Mortgage Bank's sources of debt funding.

When the Mortgage Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date) repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Mortgage Bank's financial statements.

The Mortgage Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Mortgage Bank's redeemable preference shares bear non-discretionary coupons and are redeemable by the holder, and are therefore included with subordinated liabilities.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Mortgage Bank designates liabilities at fair value through profit or loss.

3.16 Provisions

A provision is recognised if, as a result of a past event, the Mortgage Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Mortgage Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Mortgage Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Mortgage Bank recognises any impairment loss on the assets associated with that contract.

3.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Mortgage Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable and the unamortised premium. Financial guarantees are included within other liabilities.

3.18 Employee benefits

(i) Post-employment benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

With effect from October 2011, the Company commenced a defined contribution pension scheme. Employees are entitled to join the scheme on commencement of employment. Employee and the Company contributions are 7.5% each of the employee's annual basic salary, housing and transport allowance respectively. Employee contributions are funded through payroll deductions while the Company's contribution is charged to the profit and loss account. Contributions under this scheme are remitted to the individual employee's pension fund administrator.

Defined benefit plans

The Mortgage Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate was the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Mortgage Bank's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Mortgage Bank, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses that arise in calculating the Mortgage Bank's obligations in respect of a plan is recognised in the statement of comprehensive income.

When the calculation above results in a benefit to the Mortgage Bank, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefit available in the form of any refunds from the plan or reductions in future contribution to the plan. An economic benefit is available to the Mortgage Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

The Mortgage Bank operates the following defined benefits schemes as at year end:

Staff and directors' pension fund liability

Prior to the year 2004, the Mortgage Bank operated a non-contributory pension scheme in which it sets aside 25% on the total staff cost and invested in securities and fixed deposits on behalf of the staff. All employees, in the services of the Mortgage Bank, prior to 2004 qualified under this legacy pension scheme in line with the trust deed executed in support of this pension scheme. The liability under this scheme was determined by the actuaries periodically.

On the promulgation of the Pension Reform Act 2004, the Company sets aside 25% of the staff cost and remits to the individual staff's pension fund administrator (PFA) on a monthly basis. The amount sets aside by the Mortgage Bank was amended to 25% of the staff's Basic, Housing and Transport in August 2007. The accruals for this liability were charged against the profit and loss account in the period they relate.

Gratuity scheme

The Company also operates gratuity scheme for its employees as stated in the trust deed executed on behalf of the Company's legacy pension scheme. The benefits under this scheme are related to employees' length of service and the terminal monthly basic salary, housing, lunch and transport allowances for each year of service provided. A minimum of five years of service is mandatory for any employee to qualify for gratuity.

Prior to the year 2004, this scheme was funded by the Mortgage Bank as part of the legacy pension scheme. However, the scheme was unfunded from the year 2005 till date. Likewise, the Mortgage Bank's liability under this scheme was accrued for up till the year 2004. The Mortgage Bank's liability under this scheme is determined by the actuaries periodically.

Staff provident fund

The Mortgage Bank also operates a contributory staff provident fund scheme for all its employees. The Mortgage Bank and the employee contributes 5% and 2.5% respectively of the employee's basic salary. This scheme was discontinued in August 2007 and the funds contributed is invested by the Company.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Mortgage Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other long-term employee benefits

The Mortgage Bank's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Mortgage Bank's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

The Mortgage Bank also operates a long service award scheme for its employees who has spent up to 10 years and above. The benefits under this scheme are related to employees' length of service and the terminal monthly basic salary for each year of service provided.

3.19 Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on ordinary shares

Dividends on the Mortgage Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Mortgage Bank's shareholders.

(iii) Treasury shares

Where the Mortgage Bank purchases its share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3.20 Earnings per share and diluted

The Mortgage Bank 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 Mortgage Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(z) Fiduciary activities

The Company commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

3.21 Segment reporting

An operating segment is a component of the Mortgage Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Mortgage Bank's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.22 Borrowings

Borrowing costs are interest and other costs incurred by the Mortgage Bank in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

3.23 New standards and interpretations not yet adopted

IFRS 9 (Amended): Financial Instrument: Classification and Measurement

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represents a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividend on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluation the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this

IFRS 10 (Amended): Consolidated Financial Statements

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. IFRS 10 is effective for annual years beginning on or after 1 January 2013. The Mortgage Bank is currently reviewing IFRS 10 and will assess the impact on its subsequent financial statements.

IFRS 11 (Amended): Joint Arrangements

IFRS 11 overhauls the accounting for joint ventures and replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities. It uses the principles of control in IFRS 10 in defining joint control and whether joint control exists may change. The new standard does not allow proportional consolidation of joint ventures and the equity method must be applied. IFRS 11 is effective in annual years beginning on or after 1 January 2013.

IFRS 12 (Amended): Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated and structured entities. Changes include the requirement to disclose the judgements made to determine whether it controls another entity. IFRS 12 is effective in annual years beginning on or after 1 January 2013. Early adoption of IFRS 10, 11 and 12 is permitted but is required to take place simultaneously. Only IFRS 12 can be early adopted without IFRS 10 and 11. IFRS 12 has not been early adopted but the Mortgage Bank is currently assessing the disclosure requirements for interests in its associates in comparison with the existing disclosures.

IFRS 13: Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Mortgage Bank is currently reviewing its methodologies for determining fair values (see Notes 3.9(v)). Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Mortgage Bank to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Mortgage Bank has not early adopted IFRS 13 and it is currently evaluating its impact on assets and liabilities recognized at fair values.

Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures- Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Mortgage Bank will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

IFRS 7 Financial Instruments: Disclosures

In October 2010 IFRS 7 Financial Instruments: Disclosures has been amended to enhance the derecognition disclosure requirements for transfer transactions of financial assets. This amendment is effective for periods beginning on or after 1 July 2011. The Mortgage Bank expects no significant impact from the adoption of the amendments on its financial position or performance in 2012.

IAS 1: Presentation of Financial Statements

IAS 1 addresses changes in the presentation of other Comprehensive Income. The amended standard emphasizes that profit or loss and other comprehensive income should be grouped together, i.e. either as a single "statement of profit or loss and comprehensive income", or as a separate "statement of profit or loss" and a "statement of comprehensive income". The former option is the existing practice of the Mortgage Bank. The Mortgage Bank will assess if it will continue this practice or convert to the other option included in the amended IAS 1. This standard is applicable for annual years beginning on or after 1 July 2012, with early adoption permitted.

IAS 12 Income Taxes

The amendments to IAS 12 provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40; Investment Property. The amendment introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This standard is applicable for annual years beginning on or after 1 January 2013, with early adoption permitted. The Mortgage Bank is assessing the impact of this standard on its financial statements.

IAS 19 (Amended): Employee Benefits

The amended IAS 19 states that changes in the defined benefit obligations and fair value of plan assets are recognized in the year as they occur. The "corridor" method is eliminated and actuarial gains and losses and unrecognized past service costs are recognized directly in other comprehensive income. Because actuarial gains and losses are longer deferred, affecting both the net defined benefit liability/asset and the amounts recognized in profit or loss are affected. The amended standard splits changes in defined benefit liabilities/ assets in:

- Service cost (including past service costs, curtailments and settlements)- in profit or loss:
- Net interest costs (i.e. net interest on the net defined benefit liability) - in profit or loss:
- Remeasurement of the defined benefit liability/asset -in other comprehensive income.

The Amended IAS 19 is effective for years beginning on or after 1 January 2013.

NOTES TO THE ACCOUNTS		UNAUDITED 30, SEPT 2014 =N=000	UNAUDITED 30, SEPT 2013 =N=000
24 INTEREST INCOME			
Cash and Cash equivalents	-	2,501	
Loans and Advances to banks and customers	704,056	2,143,070	
Available for sale securities	2,571	269,388	
	<u>706,627</u>	<u>2,414,959</u>	
25 INTEREST EXPENSE			
Deposits from customers	1,937,359	2,252,426	
Long term borrowing	302,890	356,706	
Other borrowed funds	-	-	
	<u>2,240,249</u>	<u>2,609,132</u>	
26 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS			
Impairment losses on loans and advances:			
- specific/collective impairment	-	2,049,443	
- (writeback)/portfolio impairment	-	-	
Bad Debt written off	54,375	-	
Impairment loss on other assets	828	259	
Allowance no longer required on other assets			
Recoveries on loans and advances:			
- specific impairment	(1,139,224)	(1,116,675)	
	<u>(1,084,021)</u>	<u>933,027</u>	
	UNAUDITED 30, September 2014 =N=000	AUDITED 31, December 2013 =N=000	
27 CASH AND CASH EQUIVALENT			
Cash in hand	12,143	16,092	
Cash and balances with banks	44,029	55,199	
Money market placements	-	-	
Treasury Bills	-	-	
	<u>56,172</u>	<u>71,291</u>	
28 LOANS AND ADVANCES			
Gross amount	22,537,853	32,696,963	
Specific impairment	(12,739,459)	(22,624,682)	
Portfolio impairment	(357,869)	(359,515)	
Carrying amount	<u>9,440,525</u>	<u>9,712,766</u>	
29 INVESTMENT SECURITIES			
Federal Government Bond	-	37,302	
Unquoted equity	2,374,945	2,374,945	
Treasury Bills >3mths and above	-	-	
Quoted Securities	1,083,968	1,078,781	
	<u>3,458,913</u>	<u>3,491,028</u>	
Less Impairment	(917,533)	(917,608)	
	<u>2,541,380</u>	<u>2,573,420</u>	
30 INVESTMENT PROPERTIES			
Opening Balance	7,868,033	9,467,276	
Additions	-	8,570	
Reclassification to Deposits	-	-	
Reclassification to other assets	-	-	
Disposal	-	(1,607,813)	
	<u>7,868,033</u>	<u>7,868,033</u>	
Impairment loss during the year		-	
Net fair value(loss)/gain	(3,519,462)	(3,519,462)	
	<u>4,348,571</u>	<u>4,348,571</u>	

31 OTHER ASSETS

Restricted Deposits with CBN	15,831	15,831
Receivable from Saffer Union	150,800	150,800
Prepayments	110,050	132,853
Due from financial institutions	192,202	202,202
Deposit for property	999,491	999,491
Other Receivables	431,454	642,758
Others	-	-
	1,899,828	2,143,935
Impairment on other assets	(1,873,306)	(1,795,290)
	26,522	348,645

32 DEPOSITS FROM CUSTOMER

Term Deposits	26,377,238	25,593,706
Current Deposits	1,886,466	2,038,974
Savings Deposits	2,216,035	2,373,012
	30,479,739	30,005,692

33 OTHER LIABILITIES

Deposits for properties	1,049,119	940,602
PAYE and other Statutory deductions	371,844	217,238
Draft and Bills Payable	147,996	322,382
Creditors and Accruals	928,496	1,016,545
Account payable	289,665	287,591
Unearned Income	43,732	389
Sundry Creditors	671,179	1,054,236
	3,502,031	3,838,983

34 EMPLOYEE BENEFIT OBLIGATIONS

Gratuity Liability	286,780	481,259
Directors' pension fund liability	163,851	163,851
Staff provident fund	2,581	4,819
Staff pension fund liability	834,093	839,698
Defined benefit Obligation	1,287,305	1,489,627
Planned Assets	(907,810)	(1,175,225)
	379,495	314,402
Long Service Award Liability	49,335	50,818
	428,830	365,220

35 OTHER BORROWED FUNDS

Loan	2,052,302	1,826,664
FMBN/NHF Loan	417,605	432,437
	2,469,907	2,259,101