

ABUCOOP MICROFINANCE BANK LIMITED

**FINANCIAL STATEMENTS
31 DECEMBER 2014**

ABUCOOP MICROFINANCE BANK LIMITED

YEAR ENDED 31 DECEMBER 2014

CONTENTS

	PAGE
Directors, professional advisers, registered office etc.	1
Financial highlights	2
Auditors' report	3
Significant accounting policies	4
Balance sheet	8
Profit and loss account	9
Statement of cash flows	10
Notes to the accounts	11
Statement of value added	23
Five year financial summary	24

ABUCOOP MICROFINANCE BANK LIMITED

COMPANY REGISTRATION NO. RC 854830

DIRECTORS, PROFESSIONAL ADVISERS, REGISTERED OFFICE, ETC.

DIRECTORS:

Michael Arokodare	- Chairman	
Emmanuel Jegede	- Ag Managing Director	(Appointed January 2014)
Peter Odjoji	- Director	
Sunday Braimoh	- Director	
Mustapha D. Muhammed	- Director	
Olalekan Ogunbayo	- Director	
Chris Uboegbulem	- Director	

SECRETARY: Kayode M. Odumosu, LLB, BL.
Nigerian National Petroleum Corporation
Abuja

REGISTERED OFFICE: Suite 4, Ground Floor
Millennium Builder's Plaza
Plot 251 Herbert Macaulay Way
Central Business District
Abuja

AUDITORS: G. E. Osagie & Co.
(Chartered Accountants)
Suite S-13, 2nd Floor, Febson Mall
Plot 2425 Kitwe Street,
Off Herbert Macaulay Way
Wuse Zone 4
Abuja

SOLICITORS: Walster & Stiles
(Solicitors and Advocates)
Suite B43 Abraham Plaza
Plot 6 Ekuninam Street, Utako
Abuja

PRINCIPAL BANKERS: First Bank Plc
Fidelity Bank Plc
Unity Bank Plc
Access bank Plc

ABUCOOP MICROFINANCE BANK LIMITED

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N	% Change Increase/ (Decrease)
Major profit and loss account items			
Interest income	149,552,797	82,977,744	80
Interest expense	(31,588,270)	(14,081,815)	124
Commissions and similar income	4,428,696	14,738,564	(70)
Provision for risk and other assets	(3,337,318)	(10,414,878)	(68)
Operating expenses	(120,049,863)	(113,660,227)	6
Profit/(Loss) before taxation	48,714,507	(11,711,488)	(516)
Profit/(Loss) after taxation	40,702,036	(12,141,421)	(435)

Major balance sheet items

Loans and advances	672,080,887	242,826,422	177
Deposits	738,224,177	474,262,698	56
Share capital	100,000,000	100,000,000	-
Shareholders' funds	<u>140,731,634</u>	<u>100,029,598</u>	41

Quality of loans and advances

Performing	620,345,099	241,694,249	157
Non-performing	<u>183,307,058</u>	<u>114,171,392</u>	61
	803,652,157	355,865,641	126
Loan loss provision	<u>(131,571,270)</u>	<u>(113,039,219)</u>	16
	<u>672,080,887</u>	<u>242,826,422</u>	177

Information per N1 ordinary share (in Kobo)

Earnings per share	41	(12)	(435)
Net assets	141	100	41
Total assets	985	649	52
Number of employees	54	58	(7)
Number of branches	<u>2</u>	<u>2</u>	-

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ABUCOOP MICROFINANCE BANK LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **Abucoop Microfinance Bank Limited**, which comprise the balance sheet as at 31 December 2014, the income statement, statement of cash flows for the year then ended, a summary of significant accounting policies, value added statement and other explanatory information set out on pages 4 to 24.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Banks and Other Financial Institutions Act, Cap B3, LFN 2004, and the Regulatory and Supervisory Framework for Microfinance Banks in Nigeria issued by the Central Bank of Nigeria, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements present fairly, in all material respects, the financial position of **Abucoop Microfinance Bank Limited** as at 31 December 2014, and of its financial performance and its cash flows for the year then ended; the company has kept proper books of account, which are in agreement with the balance sheet and income statement, in the manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004, and, in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria.

Report on Other Legal and Regulatory Requirements

We confirm that our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

Contraventions

During the year, the bank had no record of contravention of the provisions of the Banks and Other Financial Institutions Act, Cap B3, LFN 2004, as disclosed in the financial statements.


Chartered Accountants
Abuja, Nigeria
29 April, 2015



ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

The following are the statement of significant accounting policies consistently adopted by the Bank in the preparation of its financial statements.

1. Basis of accounting

The financial statements are prepared under the historical cost convention as modified by revaluation of certain investment securities, and comply with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria (FRC), the requirements of the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria guidelines and circulars

2. Cash and short term funds

Cash and short term funds comprise cash balances on hand, short term funds with Central Bank of Nigeria, and other local banks.

3. Investments

Short-term investments are investments that management intends to hold for not more than one year. Debt securities intended to be held for a period not exceeding one year are classified as short term investment.

Short term investments in treasury bills are stated at net realisable value and is presented net of unearned discount income. The gain/loss on revaluation is credited/charged to profit and loss account during the year.

Short term deposits are placements made with banks and other financial institutions. Provision is made for placements when they are doubtful of recovery.

4. Loans and advances

Loans and advances are stated net of provisions for non-performing loans. Provisions are determined in accordance with the Central Bank of Nigeria's Regulatory and Supervisory Framework for Microfinance Banks in Nigeria, from a specific assessment of each customer's account as stated below:

Period principal or interest
has been outstanding:

Classification	% Provision required
Pass and watch	5%
Substandard	20%
Doubtful	50%
Lost	100%

Between 1 - 30 days
Between 31 - 60 days
Between 60 - 90 days
91 or more days

The Bank makes a general provision of 1% on all performing loans. Interest on loans and advances which are due and unpaid for more than 30 days are suspended.

ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

5. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

6. Depreciation

Depreciation on properties and equipment is provided on a straight line basis to write off the cost less residual value of each asset over its estimated useful life at the following annual rates:

	%
Building	5
Motor vehicles	- 25
Furniture and fittings	- 20
Machinery and equipment	- 20
Computers and accessories	- 20

Gains/losses on disposal of fixed assets are included in the profit and loss account.

7. Other assets

Other assets comprise receivables and prepayments. Receivables are stated at cost, less allowance for bad and doubtful amounts. Subsequent recoveries are credited to the profit and loss statement.

Prepayments are carried at cost less amortised amounts.

8. Current taxation

Income tax expenses/credits are recognised in the profit and loss accounts. Current income tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date.

9. Deferred taxation

Deferred taxation which arises from timing differences in the recognition of items for accounting and tax purposes is calculated using the liability method. Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal.

Deferred tax assets are recognised only to the extent that it is probable that the future taxable income will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

10. Income recognition

Interest income is accrued monthly on all interest-bearing assets except for interest on past due microfinance loans, which is recognized on a cash basis.

Microcredit-related fees are spread systematically over the tenor of the credit facility where they constitute at least 10% of the projected average annual yield of the facility; otherwise they are credited to profit and loss account at the time of occurrence.

Investment income is recognised on an accrual basis and credited to the profit and loss account.

11. Foreign currency items

Transactions denominated in foreign currencies are translated into Naira at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss accounts.

12. Retirement benefits

The Bank operates a defined contribution pension scheme in accordance with the Pension Reform Act 2004. The contributions of 7.5% each of both staff and the bank are based on current salaries and designated allowances. Employees' contributions are funded through payroll deductions while the bank's contribution is charged to the profit and loss account.

13. Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

14. Dividend

Dividend on ordinary shares are appropriated from retained earnings and recognised as a liability in the period in which they are declared. Dividend that are proposed but not yet declared are disclosed in the notes to the financial statements.

15. Earnings per share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted number of ordinary shares adjusted for any bonus shares issued.

ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2014

16. Segment reporting

A segment is a distinguishable component of the Microfinance Bank that is engaged either in providing related products or services (business segment), or in products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Microfinance Bank's business and geographical segments, where applicable. The Microfinance Bank primary format for segment reporting is based on business segments. The business segments are determined by management based on the Microfinance Bank's internal reporting structure

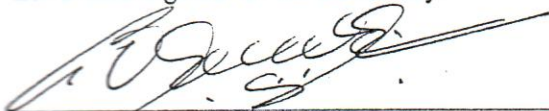
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

ABUCOOP MICROFINANCE BANK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014 N	2013 N
ASSETS			
Cash and short term funds	3	36,209,615	168,007,267
Short-term investments	4	224,620,485	171,207,262
Loans and advances	5	672,080,887	242,826,422
Other assets	6	14,823,520	25,462,046
Fixed assets	7	37,412,515	41,293,428
TOTAL ASSETS		985,147,022	648,796,425
LIABILITIES			
Deposits liabilities	8	738,224,177	474,262,698
Other liabilities	9	67,873,322	43,901,980
Deposit for shares	10	30,000,000	30,000,000
Tax payable	11	8,317,889	602,149
		844,415,388	548,766,827
CAPITAL AND RESERVES			
Share capital	12	100,000,000	100,000,000
Statutory reserve	13	20,358,481	8,147,870
General reserve	14	20,373,153	(8,118,272)
Shareholders' fund		140,731,634	100,029,598
		985,147,022	648,796,425

The financial statements on pages 4 to 24 were approved by the Board of Directors on 20 April 2015 and signed on its behalf by:



Emmanuel Jegede



Mustapha D. Muhammed

Directors

The accounting policies on pages 4 to 7 and the notes on pages 11 to 22 form part of these financial statements.

ABUCOOP MICROFINANCE BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 N	2013 N
Gross earnings		<u>203,689,958</u>	<u>126,445,432</u>
Interest income	15	149,552,797	82,977,744
Interest expense	16	<u>(31,588,270)</u>	<u>(14,081,815)</u>
Net interest income		117,964,527	68,895,929
Commissions and similar income		4,428,696	14,738,564
Other income	17	<u>49,708,465</u>	<u>28,729,124</u>
Total income		172,101,688	112,363,617
Provision for risk and other assets	18	(3,337,318)	(10,414,878)
Operating expenses	19	<u>(120,049,863)</u>	<u>(113,660,227)</u>
Profit/(Loss) before taxation	20	48,714,507	(11,711,488)
Taxation	11	<u>(8,012,471)</u>	<u>(429,933)</u>
Profit/(Loss) after taxation		<u>40,702,036</u>	<u>(12,141,421)</u>
Appropriation:			
Transfer to statutory reserve	13	12,210,611	-
Transfer to general reserve	14	<u>28,491,425</u>	<u>(12,141,421)</u>
		<u>40,702,036</u>	<u>(12,141,421)</u>
Per share data (kobo):			
Earnings per share	21	<u>41</u>	<u>(12)</u>

The accounting policies on pages 4 to 7 and the notes on pages 11 to 22 form part of these financial statements.

ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 N	2013 N
Cash flows from operating activities:			
Cash from operating activities before changes in operating assets/liabilities	22	77,020,081	16,498,328
Changes in operating assets and liabilities	23	(196,739,675)	53,872,767
Income tax paid	11.2	<u>(47,914)</u>	<u>(2,895,979)</u>
Net cash provided by operating activities		<u>(119,767,508)</u>	<u>67,475,116</u>
Cash flows from investing activities:			
Purchase of fixed assets	7	<u>(12,030,144)</u>	<u>(1,173,499)</u>
Net cash used in investing activities		<u>(12,030,144)</u>	<u>(1,173,499)</u>
Cash flows from financing activities:			
Share capital		<u>-</u>	<u>-</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(131,797,652)	66,301,617
Cash and cash equivalents at 1 January		<u>168,007,267</u>	<u>101,705,650</u>
Cash and cash equivalents at 31 December	24	<u><u>36,209,615</u></u>	<u><u>168,007,267</u></u>

ABUCOOP MICRO FINANCE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 The Bank

a. Legal form

Abucoop Microfinance Bank was incorporated on 13 November, 2009 as a private limited liability company. The Bank was granted approval to operate as a Microfinance Bank by the Central Bank of Nigeria (CBN) on 10 March 2010 and commenced operations in that same month. The Microfinance Bank is a subsidiary of NNPC Staff Coperative Society Limited.

b. Principal activity

The principal activity is to carry on the business of microfinance banking.

2 Data migration to Finance Solution System, and contingent liabilities

The Bank migrated from LENS Application System to Finance Solution System on 1st August 2014. The Directors are optimistic that the final resolution of the teething problem usually associated with adoption of a new system like this will not have significant impact on these financial statements.

Furthermore, the Bank's Solicitors was unable to provide information on the position of the Bank's contingent liabilities as at 31 December 2014 (See Note 28).

	2014 N	2013 N
3 Cash and short-term funds		
Cash in hand	273,751	247,295
Cash in vault	6,864,000	8,360,000
Current account	29,071,864	159,399,972
	<u>36,209,615</u>	<u>168,007,267</u>
4 Short-term investments		
Federal Government of Nigeria Treasury Bills	40,000,000	20,000,000
Unearned discount income	(751,238)	(806,575)
	<u>39,248,762</u>	<u>19,193,425</u>
Deposits with banks	185,371,723	152,013,837
	<u>224,620,485</u>	<u>171,207,262</u>
5 Loans and advances		
Gross loans	762,614,074	322,990,354
Interest accrued on loans	41,038,083	32,875,287
Total loans	803,652,157	355,865,641
Provisions:		
- General (note 5.4)	(4,561,972)	(2,416,942)
- Specific (note 5.4)	(78,110,871)	(78,793,520)
- Interest in suspense (note 5.4)	(48,898,427)	(31,828,757)
	<u>672,080,887</u>	<u>242,826,422</u>
5.1 Analysis by security:		
Secured by personal guarantee	635,266,759	58,507,556
Secured by fixed assets	67,308,160	50,260,987
Domiciliation of proceeds	101,077,238	247,097,098
	<u>803,652,157</u>	<u>355,865,641</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
5.2 Analysis by quality:		
Performing	620,345,099	241,694,249
Non-Performing:		
- Pass and watch	59,412,850	235,703
- Substandard	1,565,470	839,314
- Doubtful	489,311	5,139,629
- Lost	72,941,001	76,127,989
	<u>754,753,731</u>	<u>324,036,884</u>
Interest due not charged	48,898,426	31,828,757
	<u>803,652,157</u>	<u>355,865,641</u>
5.3 Maturity profile		
Within 1 month	1,984,409	-
1 - 3 months	70,415,674	88,649,213
3 - 6 months	238,607,016	147,891,221
6 - 12 months	492,649,058	119,326,207
	<u>803,656,157</u>	<u>355,866,641</u>
5.4 Movement in loan loss provision		
General:		
At 1 January	2,416,942	2,802,191
Provision during the year (note 18)	3,786,509	(385,249)
At 31 December	<u>6,203,451</u>	<u>2,416,942</u>
Specific:		
At January 1	78,793,520	71,612,762
Provision during the year (note 18)	(19,347,128)	28,831,529
Recoveries during the year	17,023,000	(21,650,771)
At 31 December	<u>76,469,392</u>	<u>78,793,520</u>
Interest in suspense:		
At January 1	31,828,757	28,096,339
Interest suspended during the year	24,562,957	12,096,322
Interest recovered during the year	(7,493,287)	(8,363,904)
At 31 December	<u>48,898,427</u>	<u>31,828,757</u>
Total provisions	<u>131,571,270</u>	<u>113,039,219</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
6 Other assets		
Prepayments	10,572,904	12,691,679
Staff advances	1,409,545	1,792,225
Sundry receivables	3,992,095	3,269,831
Withholding tax receivable (note 6.1)	548,243	-
Set-up cost (note 6.2)	-	7,708,311
Inter-branch account	175,670	1,264,206
Reconciliation suspense	-	4,879,691
	<u>16,698,457</u>	<u>31,605,943</u>
Provision for doubtful balance (note 6.3)	<u>(1,874,937)</u>	<u>(6,143,897)</u>
	<u>14,823,520</u>	<u>25,462,046</u>
6.1 Withholding tax receivable		
At 1 January,	-	-
Addition during the year	797,060	-
Utilised in the year	<u>(248,817)</u>	<u>-</u>
	<u>548,243</u>	<u>-</u>
6.2 Set-up cost		
Pre-incorporation expenses and branch in operation		
- At 1 January,	7,708,311	15,416,623
- Write-off during the year	<u>(7,708,311)</u>	<u>(7,708,312)</u>
At 31 December	<u>-</u>	<u>7,708,311</u>
This represents cost amortised on certain intangible items associated with set-up cost of the Bank's Head Office and Kubwa branch. The Central Bank of Nigeria, through its letter of August 1, 2011 (with reference number: OFI/GPE/GEN/MAB.01/003), granted concession to the Bank to 'amortise the recurrent/pre-incorporation expenses over four years effect from 2011 financial year.		
6.3 Provision for doubtful balance		
At 1 January,	6,143,897	2,524,528
Addition during the year	1,874,937	6,143,897
Written-off during the year	<u>(6,143,897)</u>	<u>(2,524,528)</u>
At 31 December	<u>1,874,937</u>	<u>6,143,897</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

7. Fixed assets

	Building N	Machinery and Equipment N	Computer and Accessories N	Furniture and Fittings N	Motor Vehicles N	Total N
Cost						
At 1 January	9,700,430	10,950,730	37,306,901	9,297,574	10,846,000	78,101,635
Additions	14,000	590,295.00	9,000,296	2,425,553	-	12,030,144
At 31 December	9,714,430	11,541,025	46,307,197	11,723,127	10,846,000	90,131,779
Depreciation						
At 1 January	229,236	4,798,566	20,975,630	4,494,729	6,310,046	36,808,207
Charge for the year	1,064,853	1,095,418	6,493,005	3,870,160	3,387,621	15,911,057
At 31 December	1,294,089	5,893,984	27,468,635	8,364,889	9,697,667	52,719,264
Net book value						
At 31 December, 2014	8,420,341	5,647,041	18,838,562	3,358,238	1,148,333	37,412,515
At 31 December, 2013	9,471,194	6,152,164	16,331,271	4,802,845	4,535,954	41,293,428

8. Deposit liabilities

	2014 N	2013 N
Current	68,788,587	143,934,743
Savings	67,409,196	60,434,500
Term and call	602,026,394	269,893,455
	<u>738,224,177</u>	<u>474,262,698</u>

8.2 Maturity profile

Under 1 month	389,819,015	474,262,698
1 - 3 months	348,405,162	-
Over 3 months	-	-
	<u>738,224,177</u>	<u>474,262,698</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
9. Other liabilities		
Accrued expenses	2,326,667	4,347,055
NDIC premium	1,312,120	607,778
Staff pension liability (note 9.1)	49,630	1,843,471
Information technology development levy (note 9.2)	711,182	219,116
NSITF/ITF	3,047,381	646,900
PAYE (note 9.4)	18,951	80,534
Withholding tax payable (note 9.5)	637,912	5,608
NNPC staff cooperative current account	43,447,596	33,662,604
Software vendor	5,527,788	-
Other payables (Note 9.3)	10,794,095	2,488,914
	<u>67,873,322</u>	<u>43,901,980</u>
9.1 Staff pension liability		
At 1 January	1,843,471	849,331
Provision during the year:		
- Company	2,330,120	2,819,024
- Staff	2,330,120	2,819,024
Remittance in the year	(6,454,081)	(4,643,908)
At 31 December	<u>49,630</u>	<u>1,843,471</u>
9.2 Information Technology Development Levy		
At 1 January	219,116	219,116
Charged for the year	492,066	-
Remittance in the year	-	-
	<u>711,182</u>	<u>219,116</u>

The Information Technology Development Levy represents 1% of profit before tax in accordance with section 12(2a) of National Information Technology Development Act (NITDA) 2007.

9.3 Other payables

Included in 'other payables' are three suspense account balances totaling N10,033,140 constitute unidentified customers deposits, which could be attributed to reconciliation challenges. The Directors are however optimistic that the outcome of the ongoing reconciliation exercise on the various suspense accounts balances will have no significant impact on these financial statements.

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
9.4 PAYE payable		
At 1 January	80,534	393
Charged for the year	661,324	919,335
Payment during the year	(722,907)	(839,194)
	<u>18,951</u>	<u>80,534</u>
9.5 WHT payable		
At 1 January	226,118	226,118
Charged for the year	961,016	-
Payment during the year	(549,222)	-
	<u>637,912</u>	<u>226,118</u>
10. Deposit for shares		
At 1 January	30,000,000	30,000,000
Movement in the year	-	-
At 31 December	<u>30,000,000</u>	<u>30,000,000</u>
This amount represents an advance payment made by the parent company, NNPC Staff Cooperative Society as a capital commitment for future rights issues; the advance is a non-interest bearing credit.		
11. Tax payable		
11.1 Per profit and loss account		
Income tax based on profit for the year	6,677,059	429,933
Education tax	1,335,412	-
	<u>8,012,471</u>	<u>429,933</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
11.2 Per balance sheet		
Income tax:		
At 1 January	602,149	3,068,195
Charge for the year (note 11.1)	8,012,471	429,933
WHT utilised in the year	(248,817)	-
Payments during the year	(47,914)	(2,895,979)
At 31 December	<u>8,317,889</u>	<u>602,149</u>

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended and Education Tax Act, CAP E4 LFN 2004.

The above charge of N8,012,471 (2013: N429,933) do not include any additional provisions that may arise in future from any routine tax audit exercise that may be carried out by the Federal Inland Revenue Services (FIRS) Tax investigations according to the relevant laws is not statute barred and could go as far back as the tax authorities deem fit. The extent of any additional liabilities cannot be readily determined, consequently no provisions have been made in these financial statements.

	2014 N	2013 N
12. Share capital		
Authorised:		
100,000,000 ordinary shares of N1.00 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
100,000,000 ordinary shares of N1.00 each		
At 1 January	<u>100,000,000</u>	<u>100,000,000</u>
Transfer from deposit for share (note 10)		

13. Statutory reserve		
At 1 January	8,147,870	8,147,870
Transfer from profit and loss account	<u>12,210,611</u>	<u>-</u>
At 31 December	<u>20,358,481</u>	<u>8,147,870</u>

The Bank transfers to Statutory reserve a minimum of 30% of profit after taxation until the Reserve fund equals paid-up capital, and a minimum of 15% thereafter in line with the provisions of Section 16 of Banks and Other Financial Institutions Act (BOFIA) 2006).

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
14. General reserve		
At 1 January	(8,118,272)	4,023,149
Transfer from profit and loss account	28,491,425	(12,141,421)
At 31 December	<u>20,373,153</u>	<u>(8,118,272)</u>
15. Interest income		
Bank sources:		
Interest on deposit placements	27,427,845	17,924,430
Non-Bank sources:		
Interest on microfinance loans	122,124,952	65,053,314
	<u>149,552,797</u>	<u>82,977,744</u>
All interest income were earned from Nigeria		
16. Interest expense		
Bank sources:		
Interest on borrowings	-	-
Non-Bank sources:		
Interest on savings deposits	9,214,256	7,445,847
Interest on current and tenored deposits	22,374,014	6,635,968
	<u>31,588,270</u>	<u>14,081,815</u>
All interest expenses were incurred in Nigeria		
17. Other income		
Loan processing fees	16,297,351	7,649,000
Loan administration and insurance charges	28,227,300	14,124,534
Loan default	2,740,386	5,131,568
Sundry income	2,443,428	1,824,022
	<u>49,708,465</u>	<u>28,729,124</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
18. Provision for risk assets		
Loans and advances:		
- General (note 5.4)	2,145,030	(385,249)
- Specific (note 5.4)	(682,649)	7,180,758
	1,462,381	6,795,509
Other assets (note 6)	1,874,937	3,619,369
	<u>3,337,318</u>	<u>10,414,878</u>
19. Operating expenses		
Staff salaries and allowances	55,334,073	64,689,966
Depreciation	15,911,057	14,492,453
CBN penalty	-	250,000
Bank charges	500,411	341,026
Vehicle running expenses	2,610,601	2,498,010
Computer software consumables	2,471,878	1,488,383
Repairs and maintenance	1,283,101	522,400
Rent and rates	10,565,390	9,120,783
Professional fees	2,312,018	790,667
Audit fee	1,250,000	1,000,000
Insurance expense	1,962,295	1,032,709
Electricity and lighting	69,200	242,192
NITDA/NSITF/ITF	2,892,547	-
Communication expenses	447,227	2,290,375
Directors fees	3,270,000	1,373,042
Training expenses	895,740	255,000
Stationary and general office expenses	5,922,574	4,324,005
Business gift and entertainment	2,577,670	177,500
Transport and hotel accommodation expenses	1,244,052	1,063,404
Amortisation of set-off cost	7,708,311	7,708,312
Donation	30,000	-
Other expenses	791,718	-
	<u>120,049,863</u>	<u>113,660,227</u>
20. Profit/(Loss) on ordinary activities before taxation		
This is stated after charging/(crediting):		
Auditors' remuneration	1,250,000	1,000,000
Donation	30,000	-
CBN penalty for exceeding limit on loans	-	250,000
Depreciation	15,911,057	14,492,453

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
21 Basic earnings per share		
Profit/(loss) for the year attributable to shareholders	<u>40,702,036</u>	<u>(12,141,421)</u>
Number of ordinary share	<u>100,000,000</u>	<u>100,000,000</u>
Earnings per share (kobo)	<u>41</u>	<u>(12)</u>
Basic earnings per share are calculated based on the profit after tax and the number of ordinary shares issued and paid up at 31 December.		
22 Reconciliation of profit after tax to net cash provided by operating activities:		
Profit after tax	40,702,036	(12,141,421)
Adjustments to reconcile profit after tax to net cash provided by operating activities:		
Depreciation	15,911,057	14,492,453
Provision for risk and other assets	<u>20,406,988</u>	<u>14,147,296</u>
Cash from operating activities	<u><u>77,020,081</u></u>	<u><u>16,498,328</u></u>
23 Changes in operating assets and liabilities:		
Short-term investments	(53,413,223)	(19,938,186)
Loans and advances	(447,786,516)	44,642,107
Other assets	14,907,486	(2,236,788)
Deposits liabilities	263,961,479	13,939,733
Provision for taxation	7,715,740	(2,466,046)
Other liabilities	<u>17,875,359</u>	<u>19,931,947</u>
	<u><u>(196,739,675)</u></u>	<u><u>53,872,767</u></u>
24 Cash and cash equivalents		
Cash	7,137,751	8,607,295
Current account balances	<u>29,071,864</u>	<u>159,399,972</u>
	<u><u>36,209,615</u></u>	<u><u>168,007,267</u></u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N	2013 N
25 Chairman and Directors' emoluments		
.i Fees:		
Chairman	360,000	-
Managing director	3,052,088	2,752,088
Other emoluments	2,610,000	1,373,042
	<u>5,662,088</u>	<u>4,125,130</u>
.ii Emoluments of highest paid director	<u>3,052,088</u>	<u>2,752,088</u>
	Number	Number
The number of directors excluding the chairman whose emoluments were within the following ranges were:		
Above N1,000,000	<u>1</u>	<u>1</u>
.iii Number of directors	Number	Number
Executive directors	1	1
Non executive directors	6	6
	<u>7</u>	<u>7</u>
26 Employees		
.i Number of employees other than Directors in receipt of emoluments within the following ranges:		
N	Number	Number
Less than 500,000	1	1
500,001 - 1,000,000	35	37
1,000,001 - 2,000,000	13	14
2,000,001 - 3,000,000	5	5
3,000,001 - 4,000,000	-	-
Above 4,000,000	-	1
	<u>54</u>	<u>58</u>
.ii The average number of people employed in the year were as follows:		
Managerial	6	7
Other Staff	48	51
	<u>54</u>	<u>58</u>

ABUCOOP MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014	2013
	N	N

.iii	Staff costs were:		
	Wages and salaries	52,963,366	62,319,259
	Pension costs	<u>2,370,707</u>	<u>2,370,707</u>
		<u>55,334,073</u>	<u>64,689,966</u>

27 Related party transactions

During the year, Abucoop Microfinance Bank in its normal course of banking operations, maintained current accounts with NNPC Staff Multi-Purpose Cooperative Society Limited, the parent company of the Bank.

The parent company provides logistic and support services to the Bank. The directors are of the view that such transactions were carried out at arm's length.

28 Contingent liabilities

The Bank had no record of any pending litigation as at 31 December 2014; and the Directors are of the view that no contingent liabilities exist that will have a significant impact on these financial statements.

29 Fraud and forgeries

No fraud cases were recorded during the year.

30 Segment reporting

Nigeria is the Microfinance Bank's primary geographical segment as all the Microfinance Bank's income is derived in Nigeria.

Additionally, all of the Microfinance Bank's income comprises interest and commission income on microfinance loans and interest income on fixed deposits. Accordingly, no further business or geographical segments information is reported.

31 Post balance sheet events

No events or transactions have occurred since the balance sheet date, which would have had a material effect on the financial statements at that date that have not been taken into consideration in the preparation of these financial statements.

32 Comparative figures

Some prior year figures have been restated for more meaningful comparison in line with the current year's presentation.

ABUCOOP MICROFINANCE BANK LIMITED

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N	%	2013 N	%
Gross earnings	203,689,958		126,445,432	
Interest expense	<u>(31,588,270)</u>		<u>(14,081,815)</u>	
	172,101,688		112,363,617	
Bought in goods and services:				
Administrative overheads - Local	(45,912,186)		(34,477,808)	
Provision on loan losses	<u>(3,337,318)</u>		<u>(10,414,878)</u>	
Value added	<u><u>122,852,184</u></u>	<u>100</u>	<u><u>67,470,931</u></u>	<u>100</u>

Distributed as follows:

To pay employees:				
Salaries and other allowances	55,334,073	45	64,689,966	96
To pay Government:				
Taxation	8,012,471	7	429,933	1
NSITF/ITF/ITDL	2,892,547	2	-	-
To provide for enhancement of assets expansion of business and payment of dividend to shareholders:				
- Depreciation	15,911,057	13	14,492,453	21
- Profit for the year	<u>40,702,036</u>	<u>33</u>	<u>(12,141,421)</u>	<u>(18)</u>
	<u><u>122,852,184</u></u>	<u>100</u>	<u><u>67,470,931</u></u>	<u>100</u>

Value added represents the additional wealth the bank has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among the employees, shareholders, government and the portion re-invested for creation of more wealth.

ABUCOOP MICROFINANCE BANK LIMITED

FINANCIAL SUMMARY 31 DECEMBER

	2014 N	2013 N	2012 N	2011 N	2010 N
BALANCE SHEET					
ASSETS					
Cash and short term funds	36,209,615	168,007,267	101,705,650	203,108,622	225,015
Short-term investments	224,620,485	171,207,262	151,269,076	185,753,427	264,336
Loans and advances	672,080,887	242,826,422	297,996,456	175,844,924	663,194
Other assets	14,823,520	25,462,046	26,844,627	41,489,457	101,690
Properties and equipment	37,412,515	41,293,428	54,612,382	26,892,824	95,276
TOTAL ASSETS	985,147,022	648,796,425	632,428,191	633,089,254	1,349,511
LIABILITIES					
Deposits and other accounts	738,224,177	474,262,698	460,322,965	472,034,601	143,526
Other liabilities	67,873,322	43,901,980	26,866,012	24,060,447	120,144
Borrowings	30,000,000	30,000,000	30,000,000	30,400,000	296,606
Tax payable	8,317,889	602,149	3,068,195	1,252,295	33
Deferred tax liability	-	-	-	1,308,415	-
	844,415,388	548,766,827	520,257,172	529,055,758	560,309
CAPITAL AND RESERVES					
Share capital	100,000,000	100,000,000	100,000,000	99,600,000	908,480
Statutory reserve	20,358,481	8,147,870	8,147,870	4,279,109	-
General reserve	20,373,153	(8,118,272)	4,023,149	154,387	(119,278)
Shareholders' funds	140,731,634	100,029,598	112,171,019	104,033,496	789,202
LIABILITIES AND SHAREHOLDERS' FUND	985,147,022	648,796,425	632,428,191	633,089,254	1,349,511
PROFIT AND LOSS ACCOUNT					
Gross earnings	203,689,958	126,445,432	173,104,336	115,703,708	404,460
Profit/(loss) before taxation	48,714,507	(11,711,488)	10,471,414	11,230,473	(86,762)
Profit/(loss) after taxation	40,702,036	(12,141,421)	7,737,523	8,558,219	(67,476)
Per-share data (kobo)					
Earnings per share: [Basic]	41	(12)	8	9	(7)
Net assets per share: [Basic]	141	100	112	104	87

NOTE: Basic earnings per share are based on profit/(loss) after tax and the number of issued ordinary shares at 31 December of every year.

Net asset per share are based on the number of issued ordinary shares at 31 December on each year.