



**NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
FINANCIAL STATEMENTS**

FOR YEAR ENDED 31 DECEMBER 2017



NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
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FOR YEAR ENDED 31 DECEMBER 2017

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NIGERIAN STOCK EXCHANGE- INVESTORS' PROTECTION FUND
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2017

CORPORATE INFORMATION

| | | |
|--------------------------|------------------------|----------|
| Board of Trustees | Mr. L. Fubara Anga | Chairman |
| | Mr. Sam Onukwue | Trustee |
| | Ms. Tinuade Awe | Trustee |
| | Mr. Peter Ashade | Trustee |
| | Mr. Taiwo Otit | Trustee |
| | Mr. Edwin Igbiti | Trustee |
| | Mrs. Anastasia Braimoh | Trustee |
| | Ms. Yewande Sadiku | Trustee |

Business Office: Stock Exchange House.
2/4 Customs Street,
Lagos Island, Lagos.

Independent Auditor: PricewaterhouseCoopers
Landmark Towers
5B Water Corporation Road,
Victoria Island
Lagos, Nigeria

Bankers: First Bank of Nigeria Ltd
Samuel Asabia House
35 Marina
Lagos.

Access Bank Plc
Plot 999c Danmole Street
Off Adeola Odeku, Idejo Street
Victoria Island
Lagos.

GTBank Plc
635 Akin Adesola Street
Victoria Island
Lagos.

Zenith Bank Plc
Plot 84 Ajose Adeogun Street
Victoria Island
Lagos

**NIGERIAN STOCK EXCHANGE- INVESTORS' PROTECTION FUND
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**REPORT OF THE BOARD OF TRUSTEES OF THE INVESTORS' PROTECTION FUND OF THE
NIGERIAN STOCK EXCHANGE**

The Board of Trustees of the Investors' Protection Fund of the Nigerian Stock Exchange presents the annual report on the activities and administration of the Investors' Protection Fund of the Nigerian Stock Exchange ("the Fund") together with the financial statements and auditor's report for the year ended 31 December, 2017 which disclose the state of affairs of the Fund.

(a) Legal form

The Fund was established by the National Council of the Nigerian Stock Exchange (The Exchange) in 1988. In accordance with Section 197(2) of the Investment and Securities Act 2007, ("ISA"), the responsibility for administration of the Fund is vested in a Board of Trustees. The Exchange re-constituted the Board of Trustees in September 2012 and they developed rules that became effective from 21 January 2014.

(b) Principal activities and business review

The objective of the Fund is to compensate investors who suffer pecuniary losses arising from:

- (i) the insolvency, bankruptcy or negligence of a dealing member firm of the Exchange; and defalcation committed by a dealing member firm or any of its directors, officers, employees or representatives
- (ii) in relation to securities, money or any property entrusted to, or received or deemed received by the dealing member firm in the course of its business as a capital market operator; as well as to compensate persons who suffer pecuniary loss from the revocation or cancellation of the registration of a dealing member by the Securities and Exchange Commission ("Commission").

The Fund comprises contributions from The Exchange and its Dealing Members and any cumulative surplus from operations.

(c) Board of Trustees

The Fund is administered by a Board of Trustees (Board), subject to the regulatory supervision of the Securities and Exchange Commission (SEC). The Board is governed by a Charter which sets out its roles, responsibilities and authority as well as the requirements for its composition and meeting procedures. The Board meets regularly and is responsible for the attainment of the Fund's objectives. The Board is diverse in terms of gender, skills, and experience.

The Trustees who served on the Board during the financial year are as follows:

- (i) Mr. L. Fubara Anga, (Chairperson) Partner, AELEX, a legal practitioner knowledgeable in capital market matters
- (ii) Mr. Sam Onukwue, MD, Mega Equities Ltd, representing Dealing Member Firms
- (iii) Mrs. Misan Kofi-Senaya* of Data Max Registrars Ltd. representing the Institute of Capital Market Registrars; and
- (iv) Chief Sola Abodunrin* of Ibadan Zone Shareholders' Association representing Registered Shareholders' Associations
- (v) Mrs. Anastasia Braimoh (Head of Legal Department, SEC) representing the Securities and Exchange Commission
- (vi) Ms. Tinuade Awe (General Counsel, Head of Regulation, NSE) Representing The Nigerian Stock Exchange
- (vii) Ms. Yewande Sadiku (Executive Secretary, Nigerian Investment Promotion Commission) a Person with Proven Integrity and Knowledgeable in Capital Market Matters
- (viii) Mr. Edwin Igbiti** (CEO, AIICO Insurance Plc.) representing Institutional Investors

**NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
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**REPORT OF THE BOARD OF TRUSTEES OF THE INVESTORS' PROTECTION FUND OF THE
NIGERIAN STOCK EXCHANGE (Cont'd)**

- (ix) Mr. Peter Ashade**, FCMR (MD, Africa Prudential Registrars Plc.) representing Institute of Capital Market Registrars
- (x) Mr. Taiwo Otiti** (General Manager) representing Central Securities Clearing Systems Plc.
- (xi) Alhaji Umaru H. Modibbo* of Sigma Pension Ltd. representing Institutional Investors;

*Retired effective 7 July 2017

**Appointed effective 7 July 2017

The Board has executed a Trust Deed to govern and regulate the activities of the Trustees and the administration of the Fund. The Trust Deed provides for the management and objectives of the Fund, declaration of trust, delegation to management subcommittee, composition of the Fund, rights of investor/claims against the Fund, application of monies in the Fund, obligations of dealing members, limitation of liabilities, and consequence of trustees' breach of obligations amongst other.

(d) Operating results

The Fund's results are set out on page 11. The surplus for the financial period under review has been transferred to retained earnings. At the end of the year The Fund reported a net asset position of N900.8 million.

(e) Trustees interest in contracts

Trustees avoid activities or associations that could lead to a conflict of interest. None of the Trustees had direct or indirect interest in contracts or proposed contracts with the Fund during the year.

(f) Trustees' responsibilities

Pursuant to Section 205(1) of the ISA 2007, the Board of Trustees is responsible for establishing and keeping proper books of accounts of the Fund. The Board of Trustees is also responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the fund. The powers of the Board are as set forth in Sections 201, 205 and 215 of the ISA include:

- (i) Administering the IPF as to engender investors' confidence and promote general market development;
- (ii) Preparing its own rules governing the operations and effective management of the IPF subject to the approval of the securities exchanges or capital trade point and the SEC;
- (iii) Performing any act incidental to or in relation with the operation and management of the IPF;
- (iv) Establishing and keeping proper books of accounts in relation to Accounts of the IPF; and
- (v) subject to the ISA, settling any claims for compensation from the IPF as may be determined, from time to time and as the case may be, by The Exchange, the SEC or the Investments and Securities Tribunal (IST).

(g) Events after the end of the reporting period

There were no significant events after the end of the reporting period that could affect the reported amount of assets and liabilities as of the reporting date.

(h) Auditor

The independent auditor, Messrs PricewaterhouseCoopers Chartered Accountants was appointed in 2013 by order of the Board of Trustees of the Investors' Protection Fund of The Nigerian Stock Exchange in accordance with Section 205(2) of the ISA 2007.

PricewaterhouseCoopers have signified their willingness to continue in the office as auditors.



Mrs. Mojisola Adeola
Secretary to the Board
FRC/2013/NBA/00000004263
Lagos, Nigeria

**NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
STATEMENT OF TRUSTEES RESPONSIBILITIES
FOR YEAR ENDED 31 DECEMBER 2017**

The Investment and Securities Act 2007 ("ISA") requires the Board of Trustees to establish and keep proper books of accounts in relation to the Nigerian Stock Exchange Investor Protection Fund.

Pursuant to Section 205(1) of the ISA 2007, the Trustees accept responsibility for establishing and keeping proper books of accounts of the Fund.

The Board of Trustees is responsible for the preparation of financial statements which give a true and fair view of the state of affairs in conformity with:

- International Financial Reporting Standards.
- The Financial Reporting Council of Nigeria Act.
- Investment and Securities Act.

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its results for the period. The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements.

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

SIGNED ON BEHALF OF THE BOARD OF TRUSTEES:



Mr. Sam Onukwue
FRC/2013/CISN/00000004129
Member, Board of Trustees
12 April 2018



Ms. Tinuade Awe
FRC/2013/NBA/00000001803
Member, Board of Trustees
12 April 2018



Independent auditor's report

To the members of Nigerian Stock Exchange - Investors' Protection Fund

Report on the audit of the financial statements

Our opinion

In our opinion, Nigerian Stock Exchange – Investors' Protection Fund ("the Fund") financial statements give a true and fair view of the financial position of the Fund as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Investment and Securities Act and the Financial Reporting Council of Nigeria Act.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to the Fund for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The trustees are responsible for the other information. The other information comprises Report of the board of trustees, Statement of trustees' responsibilities, Statement of value added and Five year financial summary (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria



financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees and those charged with governance for the financial statements

The trustees are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Investment Securities Act, Financial Reporting Council of Nigeria Act and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tolulope Adeleke

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Leader: Tolulope Adeleke
FRC/2014/ICAN/00000008319



16 April 2018

**NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
STATEMENT OF FINANCIAL POSITION
FOR YEAR ENDED 31 DECEMBER 2017**

| | Notes | 31 Dec 2017 N' 000 | 31 Dec 2016 N' 000 |
|--|-------|-----------------------|-----------------------|
| Assets | | | |
| Cash and bank balances | 4 | 330,861 | 227,359 |
| Investment securities | 5 | 750,765 | 710,143 |
| Other receivables | 6 | 71 | 71 |
| Total Assets | | 1,081,697 | 937,573 |
| Liabilities | | | |
| Provision for claims | 7 | 114,235 | 87,003 |
| Other liabilities | 8 | 66,665 | 54,529 |
| Total Liabilities | | 180,900 | 141,532 |
| Net assets attributable to the Fund | | 900,797 | 796,041 |
| Represented by: | | | |
| Members contribution | | 313,120 | 313,120 |
| Retained earnings | | 587,677 | 482,921 |
| | | 900,797 | 796,041 |

The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Board of Trustees on 12 April 2018 by:

Mr. Sam Onukwue
FRC/2013/CISN/00000004129



Ms. Tinuade Awe
FRC/2013/NBA/00000001803



Additionally certified by:
Mr. Cyril Eigbobo
Chief Financial Officer
FRC/2013/ICAN/00000001736



NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2017

| | Notes | 31 Dec 2017 N' 000 | 31 Dec 2016 N' 000 |
|------------------------------|-------|-----------------------|-----------------------|
| Income | | | |
| Revenue from dealing members | 9 | - | 4,000 |
| Interest income | 10 | 159,625 | 90,076 |
| Other income | 11 | 1,410 | - |
| | | 161,035 | 94,076 |
| Expenses | | | |
| Claim expense | 12 | 33,629 | - |
| Operating expenses | 13 | 22,650 | 22,502 |
| | | 56,279 | 22,502 |
| Surplus for the year | | 104,756 | 71,574 |

The accompanying notes form an integral part of these financial statements.

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE FUND
FOR YEAR ENDED 31 DECEMBER 2017

31 December 2017

| | Members Contribution N' 000 | Retained Earnings N' 000 | Total N' 000 |
|---------------------------------------|--|---|-------------------------|
| Balance as at 1 January 2017 | 313,120 | 482,921 | 796,041 |
| Surplus for the year | - | 104,756 | 104,756 |
| Balance as at 31 December 2017 | 313,120 | 587,677 | 900,797 |

31 December 2016

| | Members Contribution N' 000 | Retained Earnings N' 000 | Total N' 000 |
|---------------------------------------|--|---|-------------------------|
| Balance as at 1 January 2016 | 313,120 | 411,347 | 724,467 |
| Surplus for the year | - | 71,574 | 71,574 |
| Balance as at 31 December 2016 | 313,120 | 482,921 | 796,041 |

The accompanying notes form an integral part of these financial statements.

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2017

| | Note | 31 Dec 2017 N' 000 | 31 Dec 2016 N' 000 |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Surplus for the year | | 104,756 | 71,574 |
| Adjustments for: | | | |
| Interest income | 10 | (159,625) | (90,076) |
| Claims expense | 12 | 33,629 | - |
| Withholding tax expense | 13 | 2,402 | 1,243 |
| Reversal of excess contribution refundable | 11 | (1,410) | - |
| | | (125,004) | (88,833) |
| Changes in other liabilities | | 15,166 | (13,317) |
| Changes in other receivables | | - | (71) |
| Interest received | | 167,872 | 61,038 |
| WHT paid | | (2,402) | (1,243) |
| Claims paid | 12 | (6,397) | (18,921) |
| Net cashflow from operating activities | | 153,991 | 10,226 |
| Cashflow from investing activities | | | |
| Purchase of Treasury bills | | (703,738) | (1,333,523) |
| Redemption of Treasury bills | | 963,625 | 1,054,760 |
| Net cashflow from investing activities | | 259,887 | (278,763) |
| Net increase in cash and cash equivalents | | 413,878 | (268,536) |
| Cash and cash equivalents at the beginning of the year | | 227,359 | 495,895 |
| Cash and cash equivalent at end of year | 4 | 641,237 | 227,359 |

The accompanying notes form an integral part of these financial statements.

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(1) General information

Nigerian Stock Exchange - Investors' Protection Fund ("The Fund") was established by the Council of the Nigerian Stock Exchange ("The Exchange") in 1988 in pursuant to Part XIV of the Investment and Securities Act 2007 and is situated at 2/4 Customs Street, Marina, Lagos.

The primary purpose of the Fund is to compensate investors who suffer a pecuniary loss as a result of the insolvency, bankruptcy or negligence of a dealing member firm or any defalcation by a dealing member of the Exchange. The Fund comprises contributions from the Exchange and its dealing members and any cumulative surplus or loss from operations.

In accordance with the Investments and Securities Act Section No 197 (2) of 2007, the responsibility for administration of the Fund became vested in a Board of Trustees. The Exchange reconstituted the Board of Trustees in September 2012 and they developed rules that became effective from 21 January 2014.

(2) Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated

(a) Basis of preparation

These financial statements of The Nigerian Stock Exchange - Investors' Protection Fund have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as issued by The International Accounting Standards Board (IASB), and with the requirements of the Financial Reporting Council of Nigeria Act and the Investment and Securities Act (ISA).

- i. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention. The financial statements comprise the statements of comprehensive income, financial position, changes in net assets attributable to the board of the fund, changes in cash flows and the notes.
- ii. The preparation of the financial statements in conformity with IFRS requires the Trustees to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Fund during the period

The following new or revised standards and amendments which have a potential impact on the Group are effective for the year ended 31 December 2017 and have been applied in preparing these consolidated financial statements.

| IFRS | Effective Date | Key Requirements |
|---|----------------|--|
| Amendments to IAS 7 Statement of Cash Flows | 1-Jan-17 | IAS 7 was amended to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. This standard has no impact on these financial statements. |

(ii) New standards and interpretations not yet effective

The following new or revised standards and amendments which have a potential impact on the fund are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these financial statements. The fund also plans to apply all the standards and amendments disclosed below once they are applicable. However, the trustees' assessments of the new standards and amendments are that they are not expected to have significant impact on the fund operations and financial position.

| IFRS | Effective Date | Key Requirements |
|--|----------------|--|
| IFRS 15, 'Revenue from contracts with customers' | 1-Jan-18 | In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces the existing standard IAS 18 Revenue. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. The standard introduces a new five step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In April 2016, the IASB issued clarity on revenue recognition relating to identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property. There is no material impact arising from the adoption of IFRS 15 as a significant part of the Bank's revenue is outside the scope of the standard. IFRS 15 becomes effective for 1 January 2018. |

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

| | | |
|------------------------------|----------|---|
| IFRS 9 Financial Instruments | 1-Jan-18 | <p>The IASB issued the final version of IFRS 9 Financial Instruments in July 2014 to replace the existing standard IAS 39 Financial Instruments: Recognition and Measurement, effective for periods beginning on or after 1 January 2018. The standard introduces a new approach for classification and measurement, impairment and general hedge accounting requirement.</p> <p>IFRS 9 adopts a principles-based approach to the classification of financial assets considering entity's business model for managing the asset and contractual cash flow characteristics. Based on these principles, financial assets are measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. For financial liabilities, there is no fundamental change in the classification and measurement model under IFRS 9. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk will be presented in Other Comprehensive Income.</p> <p>The standard also requires entities to adopt Expected Credit Loss Impairment (ECL) model for all financial assets not measured at fair value through profit or loss. The ECL model assesses changes in credit quality since initial recognition using a three stage approach. The stages are:</p> <p>Stage 1 – these are financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date. For these assets, entities are required to recognize a 12 month expected loss allowance on initial recognition. Interest revenue is calculated on the gross carrying amount of the asset.</p> <p>Stage 2 – these are financial assets that have experienced significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.</p> <p>Stage 3 – these are financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).</p> |
|------------------------------|----------|---|

(iii) Other standards and amendments that were issued but not effective for the first time in 2017 and that are not relevant to the Fund

| Standard | Effective Date |
|---|-----------------------|
| Amendments to IFRS 10 and IAS 28 Sale or contribution of Assets between an Investor and its Associate and Joint Venture | Deferred indefinitely |
| IFRS 1 -First time Adopters: Deletion of short-term exemptions for first-time adopters | 1 January 2018 |
| Amendments to IFRS 2- Share based Payment- Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to IAS 40- Investment Property- Transfers of Investment Property | 1 January 2018 |
| Amendments to IAS 28- Investing in Associates and Joint Ventures at fair value | 1 January 2018 |
| Amendments to IFRS 4- Insurance Contracts- Applying IFRS 9 with IFRS 4 | 1 January 2018 |
| IFRS 16 - Leases | 1 January 2019 |

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the Fund's functional currency. All financial information presented in Naira has been rounded to the nearest thousand.

(d) Interest income

Interest income and expense are recognised in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable are recognised in the statement of comprehensive income as interest income and interest expense, respectively.

**NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(e) Revenue

Revenue is recognised as follows, every dealing member is required to pay one million Naira (N1million) as contribution to the Fund in fulfilment of licensing requirement set by the Exchange.

The mandatory fee of N1million is to be paid before commencement of trading by the dealing members.

Contributions from NSE default dealing members comprises contributions from dealing members who previously paid an amount to the fund prior to the establishment of the IPF rule stating that all dealing member firm should make a contribution of N1million and are yet to complete their contributions to the amount stipulated by the rule. These contributions are recognised as revenue.

A mandatory annual premium calculated as a ratio between each dealing members total customer securities and funds to the dealing member firms assets. The determined ratio is considered alongside the risk factor of the dealing member firm and based on the identified risk factor, an amount as determined by the Board would be payable by the dealing members as annual premium. The Board of Trustees has determined that the dealing member firms shall not pay any mandatory annual premium for the financial period ended 31st December, 2017.

(f) Fines and penalties

An amount from erring Dealing Member firms equal to a percentage of penalties/fines paid by such Dealing Member firms to The Exchange for contravening capital market rules, regulations and market practices is payable to the Fund, such percentage is determined by The Exchange from time to time. The Exchange has determined that for the financial period ended 31 December 2017, the percentage shall be zero percent (0%).

(g) Financial instruments

Financial assets

Financial Instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments.

The Fund classifies financial instruments, or their components parts, on initial recognition as a financial asset, a liability or an equity instrument in accordance with the substance of the contractual arrangement. Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transactions costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Derecognition

Financial assets or liabilities are derecognised when the rights to receive cash flows from the investments or settlement of obligations have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Off-setting

Financial assets or liabilities are set off and the net amount presented in the statement of financial position only when the Fund 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.

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

h) Financial Assets

Classification and subsequent measurement

For the purpose of measuring a financial asset after initial recognition, IAS 39 classifies financial assets into Fair Value through profit or loss, Held to Maturity, Loans and Receivables and Available for sale instruments. The category relevant to the Fund is Held to Maturity and Loans and Receivables

i. Held to maturity

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

Held to Maturity investments are carried at amortised costs using the effective interest method. A sale or reclassification of a significant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and prevent the Fund from classifying investment securities as held to maturity for the current and the following financial years

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

- a) Sales or reclassification that are close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets fair value;
- b) Sales or reclassifications after the Fund has collected substantially all of the assets original principal;
- c) Sales or reclassification attributable to non-recurring beyond the Fund's control that could not have been reasonably anticipated.

ii. Loans and receivable

The Fund's loans and receivables comprise receivables from the exchange and cash and bank balances and are included in current assets due to their short term nature. Loans and receivables are measured at amortised cost.

Other receivables

Other receivables relate to amounts due from the Nigerian Stock Exchange ("the Exchange") arising from;

- a) fines and penalties collected from third parties by the Exchange on behalf of the Fund; and
- b) net contributions from dealing members (after deduction of expenses incurred by the Exchange) collected by the Exchange on behalf of the Fund.

Cash and bank balances

Cash and bank balances include cash on hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less and are carried at amortised cost.

(i) Impairment of financial assets

a) Assets carried at amortised cost

The Fund assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets 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:

- Payment defaults.
- Renegotiation of terms of the financial asset due to financial difficulty of the investee company.
- Disappearance of an active market for an asset due to financial difficulties.

The impairment loss is recognized as the difference between the carrying amount of the financial assets and the recoverable amount (being the present value of the estimated cash flows discounted at the original effective rate of interest). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

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j) Financial liabilities

Classification and subsequent measurement

The Fund's financial liabilities comprises other payables. After initial recognition, the Fund measures its financial liabilities at amortised cost using the effective interest rate method. If collection is expected in one year or less (or in the normal operating cycle of the business) they are classified as current liabilities. If not they are presented as non current liabilities.

(k) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability take place either:

- In the principal market for the asset or liability or
- In the absence of the principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible to the fund.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fund does not measure any assets or liabilities at fair value at each reporting date as its financial assets and liabilities are measured at amortized cost.

(l) Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing.

Provision are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund or the Fund has a present obligation as a result of a past event. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount can not be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund.

Contingent assets and liabilities are disclosed in the financial statements when they arise.

Provisions from claims on the Fund are made after the verification process to determine the obligations has been completed. Claims verified below the threshold of N400,000 are fully provided for at verified amounts, while all verified claims above the threshold are provided for using the maximum limit as approved by the Board of Trustees of N400,000 per claim.

(m) Tax

Contributions and fines and penalties received by the Fund, will not be subject to income or capital gains tax as the Fund is not a taxable entity. Interest and dividends accruing on investments made by the Fund are however subject to withholding tax at the rate of 10% deducted at source. Income is recorded gross of withholding taxes in the statement of comprehensive income.

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3) Financial risk management

The Fund has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Introduction and overview

(i) Risk management framework

The Fund maintains positions in a variety of non-derivative financial instruments in accordance with its investment management strategy.

The Fund's investment portfolio comprises short term deposit and treasury bills with financial institutions in Nigeria. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

The Fund is not exposed to foreign currency risk as it does not engage in any transaction denominated in foreign currency.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash and bank balances, investment in treasury bills, balances due from the counterparties. For risk management reporting purposes the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

(i) Maximum exposure to credit risk

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position as follows.

| | 31-Dec-17 | 31-Dec-16 |
|------------------------|-------------------------|-----------------------|
| | N' 000 | N' 000 |
| Cash and bank balances | | |
| Other receivables | 330,861 | 227,359 |
| Investment securities | 71 | 71 |
| | <u>750,765</u> | <u>710,143</u> |
| | <u>1,081,697</u> | <u>937,573</u> |

(ii) Concentration risk of financial assets with credit risk exposure
Geographical sectors

All credit risk exposures (without taking into account any collateral held or other credit support) are maintained within Nigeria. An analysis of concentration of credit risk as at 31 December 2017 and 31 December 2016 is set out below respectively

| | Cash and bank balances N'000 | Other Receivables N'000 | Investment securities N'000 | Total N'000 |
|------------------|------------------------------------|-------------------------------|-----------------------------------|------------------|
| 31 December 2017 | | | | |
| Nigeria | <u>330,861</u> | <u>71</u> | <u>750,765</u> | <u>1,081,698</u> |
| 31 December 2016 | | | | |
| Nigeria | <u>227,359</u> | <u>71</u> | <u>710,143</u> | <u>937,573</u> |

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(iii) Credit quality of financial assets

The Fund's financial assets are classified as neither past due nor impaired or individually impaired financial assets. Individually impaired financial assets represent fine and penalties receivable from the Nigerian Stock Exchange. Classification by credit quality as at 31 December 2017 and 31 December 2016 is set out below

Credit quality by class

| | Neither past due nor impaired N'000 | Past due but not impaired N'000 | Individually impaired N'000 | Total N'000 |
|------------------------|--|---------------------------------------|-----------------------------------|------------------|
| 31 December 2017 | | | | |
| Cash and bank balances | 330,861 | - | - | 330,861 |
| Other receivables | 71 | - | 122,397 | 122,468 |
| Investment securities | 750,765 | - | - | 750,765 |
| | 1,081,697 | - | 122,397 | 1,204,094 |
| 31 December 2016 | | | | |
| Cash and bank balances | 227,359 | - | - | 227,359 |
| Other receivables | 71 | - | 122,397 | 122,468 |
| Investment securities | 710,143 | - | - | 710,143 |
| | 937,573 | - | 122,397 | 1,059,970 |

The Credit quality of financial assets can be referenced to external credit rating agency (Standard & Poor Rating Agency). The risk of default is considered below

31 December 2017

| Financial Assets | B+ N'000 | B- N'000 | Unrated N'000 | Total N'000 |
|------------------------|------------------|--------------|------------------|------------------|
| Cash and bank balances | 323,478 | 7,384 | - | 330,861 |
| Investment Securities | 750,765 | - | - | 750,765 |
| Other receivables | - | - | 71 | 71 |
| | 1,074,243 | 7,384 | 71 | 1,081,697 |

31 December 2016

| Financial Assets | B+ N'000 | B- N'000 | Unrated N'000 | Total N'000 |
|------------------------|----------------|-------------|------------------|----------------|
| Cash and bank balances | 227,359 | - | - | 227,359 |
| Investment Securities | 710,143 | - | - | 710,143 |
| Other receivables | - | - | 71 | 71 |
| | 937,502 | - | 71 | 937,573 |

Cash and bank balances

The Fund's cash and bank balances and its investments in treasury bills are held with First bank of Nigeria Plc, Access bank Plc, Guaranty Trust bank Plc and Zenith bank Plc. The Board of Trustees through the Finance team monitors the financial position of banks on a weekly basis.

Investment Securities

The funds investment securities balance are investment in treasury bills which are held with Access Bank Plc, First Bank of Nigeria Limited and GT Bank Plc.

Other receivables

Other receivables includes balance of contributions received the Nigerian Stock Exchange on behalf of the Fund.

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(b) Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Fund's policy and the Board of Trustees approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated compensation to investors, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the Board of Trustees through the investment manager of the Exchange in accordance with policies and procedures in place. The Fund at all times may invest any money not required immediately in any manner in which the Trustees determine as authorised by the Investment Securities Act.

(ii) Liquidity gap analysis

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place.

Contractual and undiscounted cashflows

| 31 December 2017 | Carrying Amount | Gross nominal | 0 - 30 days | 31 - 90 days | Above 90 days |
|-----------------------------------|------------------------|----------------------|--------------------|---------------------|----------------------|
| Financial assets | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cash and bank balances | 330,861 | 330,861 | 90,917 | 239,944 | - |
| Investment securities | 750,765 | 759,977 | 529,021 | 230,956 | - |
| Other receivables | 71 | 71 | 71 | - | - |
| | 1,081,697 | 1,090,909 | 620,009 | 470,900 | - |
| Financial liabilities | | | | | |
| Provision for claims | 114,235 | 114,235 | 114,235 | - | - |
| Other liabilities | 66,665 | 66,665 | 66,665 | - | - |
| | 180,900 | 180,900 | 180,900 | - | - |
| Gap (Assets - Liabilities) | 900,797 | 910,009 | 439,109 | 470,900 | - |

Contractual and undiscounted cashflows

| 31 December 2016 | Carrying Amount | Gross nominal | 0 - 30 days | 31 - 90 days | Above 90 days |
|-----------------------------------|------------------------|----------------------|--------------------|---------------------|----------------------|
| Financial assets | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cash and bank balances | 227,359 | 227,359 | 227,359 | - | - |
| Investment securities held | 710,143 | 710,143 | - | - | 710,143 |
| Other Receivables | 71 | 71 | 71 | - | - |
| | 937,573 | 937,573 | 227,430 | - | 710,143 |
| Financial Liabilities | | | | | |
| Provision for claims | 87,003 | 87,003 | - | - | 87,003 |
| Other liabilities | 11,741 | 11,741 | 390 | - | 11,351 |
| | 98,744 | 98,744 | 390 | - | 98,354 |
| Gap (Assets - Liabilities) | 838,829 | 838,829 | 227,040 | - | 611,789 |

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(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective, which focuses on long-term growth while taking into cognizance the preservation of investor capital.
The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place.

(i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk.

The Fund also holds all its investment in short term fixed deposit. Due to the short term nature of investments, the exposure to fair value interest rate risk is considered immaterial.

Table below summarises the Fund's interest rate gap position.

31 December 2017

| | Non Interest bearing N'000 | Fixed Interest N'000 | Carrying amount N'000 |
|------------------------|----------------------------------|----------------------------|-----------------------------|
| Assets | | | |
| Cash and bank balances | 7,968 | 322,893 | 330,861 |
| Investment securities | - | 750,765 | 750,765 |
| Other receivables | 71 | - | 71 |
| | <u>8,039</u> | <u>1,073,658</u> | <u>1,081,697</u> |
| Liabilities | | | |
| Provision for claims | 114,235 | - | 114,235 |
| Other liabilities | 66,665 | - | 66,665 |
| | <u>180,900</u> | <u>-</u> | <u>180,900</u> |

31 December 2016

| | | | |
|------------------------|---------------|----------------|----------------|
| Assets | | | |
| Cash and bank balances | 7,079 | 220,280 | 227,359 |
| Investment securities | - | 710,143 | 710,143 |
| | <u>7,079</u> | <u>930,423</u> | <u>937,502</u> |
| Liabilities | | | |
| Provision for claims | 87,003 | - | 87,003 |
| Other liabilities | 11,741 | - | 11,741 |
| | <u>98,744</u> | <u>-</u> | <u>98,744</u> |

(ii) Currency risk and equity risk

The fund is not exposed currency risk and equity risk as it does not have foreign currency denominated transaction and does not have investments in equities.

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(iii) Fair value of financial assets and liabilities
- Financial Instruments not measured at fair value

All of the Fund's financial assets and liabilities are measured at amortised cost. Due to the short maturity of the company's financial instruments, the amortised cost closely approximates the fair value.
The table below shows the analysis of the financial instrument:

| | 31-Dec-17 | | 31-Dec-16 | |
|------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Carrying Value N'000 | Fair Value N'000 | Carrying Value N'000 | Fair Value N'000 |
| Financial assets | | | | |
| Cash and bank balances | 330,861 | 330,861 | 227,359 | 227,359 |
| Other receivables | 71 | 71 | 71 | 71 |
| Investment securities | 750,765 | 751,699 | 710,143 | 708,211 |
| | <u>1,081,697</u> | <u>1,082,631</u> | <u>937,573</u> | <u>935,641</u> |
| Financial liabilities | | | | |
| Provision for claims | 114,235 | 114,235 | 87,003 | 87,003 |
| Other Liabilities | 66,665 | 66,665 | 11,741 | 11,741 |
| | <u>180,900</u> | <u>180,900</u> | <u>98,744</u> | <u>98,744</u> |

The table below set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

| | Level 1 N'000 | Level 2 N'000 | Level 3 N'000 | Fair value N'000 | Carrying value N'000 |
|-------------------------|------------------|------------------|------------------|---------------------|-------------------------|
| 31 December 2017 | | | | | |
| Assets | | | | | |
| Other receivables | - | - | 71 | 71 | 71 |
| Investment securities | - | 751,699 | - | 751,699 | 751,699 |
| | <u>-</u> | <u>751,699</u> | <u>71</u> | <u>751,770</u> | <u>751,770</u> |
| Liabilities | | | | | |
| Provision for claims | - | - | 114,235 | 114,235 | 114,235 |
| Other Liabilities | - | - | 66,665 | 66,665 | 66,665 |
| | <u>-</u> | <u>-</u> | <u>180,900</u> | <u>180,900</u> | <u>180,900</u> |
| 31 December 2016 | | | | | |
| Assets | | | | | |
| Other receivables | - | - | - | - | - |
| Investment securities | - | 710,143 | - | 710,143 | 710,143 |
| | <u>-</u> | <u>710,143</u> | <u>-</u> | <u>710,143</u> | <u>710,143</u> |
| Liabilities | | | | | |
| Other Liabilities | - | - | 11,741 | 11,741 | 11,741 |
| | <u>-</u> | <u>-</u> | <u>11,741</u> | <u>11,741</u> | <u>11,741</u> |

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Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

-Financial Instruments measured at fair value

IFRS 7 para 25 requires the disclosures of the fair value of financial assets and liabilities by class in a way that that permits it to be compared with its carrying amount for each class of financial assets and financial liability. The fund's financial instruments are receivables, investment securities and cash and bank balances which are carried at amortised cost. The Fund's does not have any financial instruments that are carried at fair value.

(e) Capital management

The Capital of the Fund is considered to be the net assets attributable to the members of NSE since the inception of the Fund. The Fund's objectives when managing its capital contributions are to safeguard its ability to continue as a going concern in order to provide compensation to members of the investing public who have suffered pecuniary loss as a result of the insolvency, bankruptcy or negligence of a dealing member firm or any defalcation by a dealing member of the Exchange.

In order to maintain the capital structure the Fund is regularly monitored by the Board of Trustees who determines the nature of investments of the fund assets as well as the level of contribution of dealing members of the Fund.

(f) Significant estimates and judgments

The preparation of the financial statements to conform with IFRSs requires management to make judgments, 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 judgments 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 assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(g) Provision for claims

Provisions for claims are measured based on the accounting policies on provisions, contingent liabilities and assets in note 2 of the financial statements. Each claim is assessed individually by the Nigerian Stock Exchange's Broker Dealers regulation unit and based on the details verified, claims are recommended to the Board of Trustees to be paid.

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4 Cash and bank balances

| | 31 Dec 2017 | 31 Dec 2016 |
|----------------|--------------------|--------------------|
| | N' 000 | N' 000 |
| Cash at bank | 7,968 | 7,079 |
| Fixed deposits | 322,893 | 220,280 |
| | 330,861 | 227,359 |

Cash and cash equivalent for cashflow purposes

| | | |
|--|----------------|----------------|
| Cash at bank | 7,968 | 7,079 |
| Fixed deposits | 322,893 | 220,280 |
| Investment securities (Treasury bills less than 90 days) | 310,376 | - |
| | 641,237 | 227,359 |

5 Investment securities

| | | |
|---|----------------|----------------|
| Held to maturity (Investment in treasury bills) | 750,765 | 710,143 |
| | 750,765 | 710,143 |

Held to maturity investment securities represents treasury bills with maturities of less than 12 months

6 Other receivables

| | | |
|--------------------------------------|----------------|----------------|
| Due from The Nigerian Stock Exchange | 122,468 | 122,468 |
| Gross total | 122,468 | 122,468 |
| Provision for doubtful receivables | (122,397) | (122,397) |
| Carrying amount | 71 | 71 |

Due from The Nigerian Stock Exchange represents fines and penalties collected on behalf of the Fund by the Exchange which have been fully provided for as recoverability in doubt.

(a) Movement in provision for doubtful receivable is shown below

| | | |
|----------------------|----------------|----------------|
| Opening balance | 122,397 | 122,397 |
| Additional provision | - | - |
| Closing balance | 122,397 | 122,397 |
| Current | 71 | 71 |

7 Provision for claims

| | | |
|---------------------------------------|----------------|---------------|
| Provision for claims as at 1 Jan 2017 | 87,003 | 105,924 |
| Current year provision on claims | 33,629 | - |
| Benefits paid | (6,397) | (18,921) |
| | 114,235 | 87,003 |
| Current | 114,235 | 87,003 |

Provisions are made on the Fund based on verified claims by investors.

Total number of claims verified under Board of Trustees approved methodology as at 31 December 2017 is 659. Of this total number, 179 claimants have been paid the total of N50.2 million. The total outstanding value of this 480 verified claims amount to N166m as at 31 December 2017. A total provision of N114m have been provided for in full as at 31 December 2017 based on the maximum amount of N400,000 payable under the IPF rule.

8 Other liabilities

| | | |
|--------------------------------|---------------|---------------|
| Fees and expenses payable | 12,348 | 10,331 |
| Excess contribution refundable | - | 1,410 |
| Withholding tax payable | 23 | - |
| Provision for litigations | 54,294 | 42,788 |
| | 66,665 | 54,529 |
| Current | 66,665 | 54,529 |
| Non current | - | - |
| | 66,665 | 54,529 |

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| | 31 Dec 2017 N'000 | 31 Dec 2016 N'000 |
|------------------------------------|----------------------|----------------------|
| 9 Revenue | | |
| Contributions from dealing members | - | 4,000 |
| | <u>-</u> | <u>4,000</u> |

There were no contributions from new members during the year. The Board of Trustees has determined that the dealing member firms shall not pay any mandatory annual premium for the financial period ended 31st December, 2017.

| | | |
|-----------------------------------|----------------|---------------|
| 10 Interest income | | |
| Interest income on placements | 28,606 | 14,246 |
| Interest income on treasury bills | 131,019 | 75,830 |
| | <u>159,625</u> | <u>90,076</u> |

| | | |
|--|--------------|----------|
| 11 Other income | | |
| Reversal of excess contribution refundable | 1,410 | - |
| | <u>1,410</u> | <u>-</u> |

The Exchange has determined that the percentage of fines and penalties paid by dealing members to the exchange and payable to the fund is zero percent for the year ended 31 December 2017.

| | | |
|------------------|---------------|----------|
| 12 Claims | | |
| Claims expenses | 33,629 | - |
| | <u>33,629</u> | <u>-</u> |

| | | |
|--------------------------------|---------------|---------------|
| 13 Operating expenses | | |
| Other expenses | | |
| Professional fees | 503 | 2,888 |
| Trustees emolument | 2,222 | 6,850 |
| Audit fees | 1,016 | 1,024 |
| Withholding tax on investments | 5,000 | 4,000 |
| Provision expense | 2,402 | 1,243 |
| | <u>11,507</u> | <u>6,497</u> |
| | <u>22,650</u> | <u>22,502</u> |

14 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The Fund is primarily controlled by the Nigerian Stock Exchange (NSE). As at the reporting date, the Fund had a number of transactions with the Trustees of the Fund as well as the Nigerian Stock Exchange in the normal course of business. This comprises;

| | 31 Dec 2017 N' 000 | 31 Dec 2016 N' 000 |
|--|-----------------------|-----------------------|
| Trustees emoluments | | |
| Due from Nigerian Stock Exchange (NSE) | 1,016 | 1,024 |
| Total | <u>71</u> | <u>71</u> |
| | <u>1,087</u> | <u>1,095</u> |

The NSE did not charge the Fund for any services rendered to it in the course of the financial year (2016: Nil)

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15 Contingent liabilities and commitments

(i) Contingent liabilities

(a) Legal Proceedings

The Fund is involved in five active litigation suits and one suit awaiting execution as at 31 December 2017. The five active suits have a total claim of N54.3m. Initial rulings of the Investment & Securities Tribunal on five cases were to the effect that the claimants be compensated from the IPF while the Tribunal dismissed the claims of the Plaintiff in the sixth case. Three of these claims arose whilst Investment & Securities Act 1999 was in force. That Act provided for full compensation for claims. The Fund is appealing these three rulings on technical grounds. The other three legal cases were instituted by Investors after Investment & Securities Act 2007 and the 2007 approved rules of the Fund were in force. Three case is on appeal, while the other is awaiting execution of the judgment of the Tribunal. For the cases that are on appeal, the Trustees are appealing that the claim amounts to be paid should not exceed the limits set out in the SEC approved 2014 IPF Rules of operation.

(b) Provision for claims

The Fund is aware of 885 claims. 226 of this claims are yet to be verified by the Nigerian Stock Exchange in accordance with Section 213 of ISA 2007. No provision has been made in the books in respect of these claims but management estimates that based on the limits set by the IPF rules, the total contingent liability in respect of these unverified claims will not exceed N90.4m (which is the total unverified claims multiplied by the maximum amount payable of N400,000).

(ii) Capital commitments

The Fund had no capital commitments in respect of authorized and contracted capital projects as at 31 December 2017.

16 Trustees' emoluments

| | 31 Dec 2017 N'000 | 31 Dec 2016 N'000 |
|--|----------------------|----------------------|
| Remuneration paid to the Trustees was: | | |
| Sitting allowances | 650 | 925 |
| Other directors expenses | 366 | 99 |
| | <u>1,016</u> | <u>1,024</u> |
| Sitting allowances and other emoluments disclosed above include amounts paid to: | | |
| Chairman | 150 | 225 |
| Highest paid Trustee | 150 | 249 |
| | | |
| N50,000- N100,000 | 31 Dec 2017 | 31 Dec 2016 |
| N100,001- N150,000 | 7 | 5 |
| Above N150,000 | 1 | 1 |
| | - | 2 |
| | <u>8</u> | <u>8</u> |

17 Events after the reporting period

There were no events subsequent to the financial position date which require adjustments to, or disclosure in, these financial statements.

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
OTHER NATIONAL DISCLOSURES
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2017

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|--------------------|-------------|--------------------|-------------|
| | N' 000 | % | N' 000 | % |
| Income | | | | |
| Total revenue | 161,035 | | 94,076 | |
| Cost of brought in goods and services | (55,263) | | (21,478) | |
| Value added | 105,772 | 100% | 72,598 | 100% |
| Distribution of value added: | | | | |
| To pay government as taxes | - | 0% | - | 0% |
| Trustees emolument | 1,016 | 1% | 1,024 | 1% |
| Retained in the Fund to augment reserve | 104,756 | 99% | 71,574 | 99% |
| | 105,772 | 100% | 72,598 | 100% |

NIGERIAN STOCK EXCHANGE - INVESTORS' PROTECTION FUND
OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY
FOR YEAR ENDED 31 DECEMBER 2017

| Statement of financial position | 31 Dec 17 N' 000 | 31 Dec 16 N' 000 | 31 Dec 15 N' 000 | 31 Dec 14 N' 000 | 31 Dec 13 N' 000 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | 330,861 | 227,359 | 495,895 | 463,204 | 757,436 |
| Other receivables | 71 | 71 | - | 119,731 | 73,452 |
| Investment securities | 750,765 | 710,143 | 403,584 | 356,509 | - |
| Total assets | 1,081,697 | 937,573 | 899,479 | 939,444 | 830,888 |
| LIABILITIES: | | | | | |
| Provision for claims | 114,235 | 87,003 | 105,924 | 87,854 | 74,855 |
| Other liabilities | 66,665 | 54,529 | 69,088 | 45,296 | 7,257 |
| Total liabilities | 180,900 | 141,532 | 175,012 | 133,150 | 82,112 |
| EQUITY | | | | | |
| Net assets attributable to the Fund | 900,797 | 796,041 | 724,467 | 806,294 | 748,776 |
| Total equity | 900,797 | 796,041 | 724,467 | 806,294 | 748,776 |
| Total equity and liabilities | 1,081,697 | 937,573 | 899,479 | 939,444 | 830,888 |
| Statement of comprehensive income | | | | | |
| | 31-Dec-17 N' 000 | 31-Dec-16 N' 000 | 31-Dec-15 N' 000 | 31-Dec-14 N' 000 | 31-Dec-13 N' 000 |
| Revenue | - | 4,000 | 1,000 | 1,000 | 2,000 |
| Interest income | 159,625 | 90,076 | 98,151 | 73,845 | 75,630 |
| Fines and penalties | 1,410 | - | - | 45,594 | 20,683 |
| Operating expenses | (22,650) | (22,502) | (180,978) | (62,921) | (18,086) |
| Surplus/(deficit) for the year | 138,385 | 71,574 | (81,827) | 57,518 | 80,227 |