

FOR YEAR ENDED 31 DECEMBER 2018

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### THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND CORPORATE INFORMATION FOR YEAR ENDED 31 DECEMBER 2018

### **Board of Trustees**

Mr. L. Fubara Anga Mr. Sam Onukwue Mrs. Anastasia Braimoh Ms. Tinuade Awe Mr. Edwin Igbiti Ms. Yewande Sadiku Mr. Ayokunle Adaralegbe\* Mr. Jonathan Eborah\* Mr. Peter Ashade\*\*

\*\* resigned effective 31 July 2018

Mr. Taiwo Otiti\*\* \* appointed effective 3 October 2018

**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.

Guaranty Trust Bank Plc 635 Akin Adesola Street

Victoria Island

Lagos.

Zenith Bank Plc

Plot 84 Ajose Adeogun Street

Victoria Island

Lagos

Chairman

Trustee/Vice-Chairman

Trustee Trustee Trustee Trustee

Alternate Trustee Alternate Trustee

Trustee Trustee The Board of Trustees of the Nigerian Stock Exchange Investors' Protection Fund presents the annual report on the activities and administration of the Nigerian Stock Exchange Investors' Protection Fund ("the Fund") together with the financial statements and auditor's report for the year ended 31 December, 2018 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 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
- (ii) defalcation committed by a dealing member firm or any of its directors, officers, employees or representatives 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:

- (a) Mr. L. Fubara Anga, (Chairperson) Partner, AELEX, a legal practitioner knowledgeable in capital market matters;
- (b) Mr. Sam Onukwue, MD, Mega Equities Ltd, representing Dealing Member Firms;
- (c) Mrs. Anastasia Braimoh (Head of Legal Department, SEC) representing the Securities and Exchange Commission;
- (d) Ms. Tinuade Awe (Executive Director, Regulation, NSE) representing The Nigerian Stock Exchange;
- (e) Mr. Edwin Igbiti (CEO, AIICO Insurance Plc.) representing Institutional Investors;
- (f) Ms. Yewande Sadiku (Executive Secretary, Nigerian Investment Promotion Commission) a person with proven integrity and knowledgeable in Capital Market Matters;
- (g) Mr. Peter Ashade\*, FCMR (MD, Africa Prudential Registrars Plc.) representing Institute of Capital Market Registrars;
- (h) Mr. Taiwo Otiti\* (General Manager, Central Securities Clearing Systems Plc {CSCS}) representing CSCS;
- (i) Mr. Jonathan Eborah\*\* (CEO, PAC Registrars) alternative representative of Institute of Capital Market Registrars; and
- (j) Mr. Ayokunle Adaralegbe\*\* (Chief Risk Officer, CSCS) alternative representative of Institute of Capital Market Registrars.
- \*Resigned effective 31 July 2018
- \*\*Appointed effective 3 October 2018

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.

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND REPORT OF THE BOARD OF TRUSTEES FOR YEAR ENDED 31 DECEMBER 2018

#### (d) Operating results

The Fund's results are set out on page 10. 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 N984.5million in the year (Dec 2017: N900.8million).

#### (e) Trustees interest in contracts

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 and include:

- · Administering the IPF as to engender investors' confidence and promote general market development;
- 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;
- Performing any act incidental to or in relation with the operation and management of the IPF;
- Establishing and keeping proper books of accounts in relation to Accounts of the IPF; and
- 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 was appointed in 2013 by order of the Board of Trustees of the Nigerian Stock Exchange Investors' Protection Fund 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

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR YEAR ENDED 31 DECEMBER 2018

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 Investors' 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 year. 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

3 May 2019

Ms. Tinuade Awe

FRC/2013/NBA/0000001803 Member, Board of Trustees

Member, Board of Trus

3 May 2019



# 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's ("the Fund's") financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Investments and Securities Act and the Financial Reporting Council of Nigeria Act.

#### What we have audited

Nigerian Stock Exchange Investors' Protection Fund's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- 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.

# Other information

The Board of Trustees is responsible for the other information. The other information comprises Corporate information, Report of the Board of Trustees, Statement of Trustees' Responsibilities, Value Added Statement 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



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 Investments and Securities Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the Board of 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, 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 intends to liquidate the Fund or to cease operations, or has 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.

Colu Adelelle

For: PricewaterhouseCoopers

Chartered Accountants Lagos, Nigeria

Engagement Leader: Tolulope Adeleke FRC/2014/ICAN/0000008319

31 May 2019



# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND STATEMENT OF FINANCIAL POSITION FOR YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018	31 Dec 2017
		N' 000	N' 000
Assets Bank balances Investment securities at amortised cost	8	353,003 826,767	330,861
Held to maturity investments Other receivables	9 10	-	750,765 71
Total assets		1,179,770	1,081,697
Liabilities Provision for claims Other liabilities Total liabilities	11 12	135,335 59,922 <b>195,257</b>	114,235 66,665 <b>180,900</b>
Net assets attributable to the Fund		984,513	900,797
Represented by: Members contribution Retained earnings		313,120 671,393 <b>984,513</b>	313,120 587,677 <b>900,797</b>

The accompanying notes from pages 12 to 27 form an integral part of these financial statements.

Signed on behalf of the Board of Trustees on 3 May 2019 by:

Mr. Sam Onukwue FRC/2013/CISN/0000004129

Ms. Tinuade Awe FRC/2013/NBA/0000001803

Additionally certified by: Mr. Cyril Eigbobo Chief Financial Officer FRC/2013/ICAN/0000001736

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 N' 000	31 Dec 2017 N' 000
Income			
Interest income	13	134,611	159,625
Other income	14		1,410
		134,611	161,035
Expenses			
Claim expense	11	36,519	33,629
Operating expenses	15	14,372	22,650
		50,891	56,279
Surplus for the year		83,720	104,756

The accompanying notes from pages 12 to 27 form an integral part of these financial statements.

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE FUND FOR YEAR ENDED 31 DECEMBER 2018

31 December 2018	Members Contribution N' 000	Retained Earnings N' 000	Total N' 000
Balance at 1 January 2018 as previously reported Changes on initial application of IFRS 9 Restated balance as at 1 January 2018	313,120 - - 313,120	587,677 (4) 587,673	900,797 (4) 900,793
Surplus for the year	-	83,720	83,720
	313,120	671,393	984,513
31 December 2017	Members Contribution N' 000	Retained Earnings N' 000	Total N' 000
Balance at 1 January 2017	313,120	482,921	796,041
Surplus for the year	=	104,756	104,756
	313,120	587,677	900,797

The accompanying notes from pages 12 to 27 form an integral part of these financial statements.

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2018

Cash flows from operating activities	Note	31 Dec 2018 N' 000	31 Dec 2017 N' 000
Surplus for the year		83,720	104,756
Adjustments for:		03,720	104,730
Interest income	13	(134,611)	(159,625)
Claims expense	11	36,519	33,629
Other income	14	- -	(1,410)
		(98,092)	(127,406)
Changes in other liabilities		(5,858)	15,166
Changes in other receivables		71	-
Interest received		93,915	167,872
Claims paid	11	(15,419)	(6,397)
Net cashflow from operating activities	_	58,337	153,991
Cashflow from investing activities			
Purchase of investment securities		(1,135,079)	(703,738)
Proceeds from redemption of investment securities		1,249,500	963,625
Net cashflow from investing activities		114,421	259,887
Net increase in cash and cash equivalents		172,758	413,878
Cash and cash equivalents at the beginning of the year		641,237	227,359
Cash and cash equivalent at end of year	8	813,995	641,237

The accompanying notes from pages 12 to 27 form an integral part of these financial statements.

#### 1 General information

The 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 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 certain 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5

(iii) 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.

# (b) Changes in accounting policies and disclosures

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

Below are the standards that have become effective for the period beginning on or after 1 January 2018 that are relevant to the Fund and have been applied in preparing the financial statements.

### - IFRS 9 Financial Instruments

The Fund has adopted IFRS 9: Financial Instruments from 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Consequently the Fund has applied the consequential amendments to IFRS 7 disclosures in preparing the financial statements in the current period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairments of financial assets and these have applied retrospectively except as described below. Refer to note 4

- The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Difference in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in accumulated funds and reserves as at 1 January 2018. Accordingly, the information presented in for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following reassessment have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Fund has assumed that the credit risk of the asset had not increased significantly since its initial recognition.

In thousands of naira	Impact of adopting IFRS 9 on opening balance
Retained earnings	587,677
Recognition of Expected Credit Loss (ECL) under IFRS 9:	
Treasury bills and bonds at amortised cost	(4)
Total ECL under IFRS 9	(4)
Impact at 1 January 2018	587,673

See note 4h for disclosure on the transition from IAS 39 to IFRS 9

#### - IFRS 15 Revenue from contract with customers

IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

Under IFRS 15, revenue is recognised when a customer obtains controls of the goods or services. Determining the timing of the transfer of control - at a point in time or over time requires judgement.

The Fund has adopted IFRS 15 Revenue from contracts with customers from 1 January 2018 which did not result in changes to the wording of the accounting policies and recognition of revenue as the Fund's revenue are mainly earned from financial instruments which are within the scope of IFRS 9. Adoption of the standard did not have any significant impact on the Fund.

### (ii) Standards issued but not yet effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2018:

#### IFRS 16 - Leases (effective 1 January 2019)

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

This standard is not applicable to the Fund as it does not have tangible assets or lease contract arrangements.

# IFRS 17 - Insurance contracts (with effective date of 1 January 2021)

The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts.

This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the Fund as it does not engage in insurance business.

### **Annual improvements**

# IFRIC 22 Foreign currency transactions and advance consideration

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

- · retrospectively for each period presented
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or
- prospectively from the beginning of a prior reporting period presented as comparative information.

This interpretation is not applicable to the Fund as there are no foreign currency denominated transactions

This standard does not have any impact on the Fund as the Fund does not have balances denominated in foreign currencies.

#### 3 Other accounting policies

#### (a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

#### (i) Revenue

Revenue is recognised when the contribution by the dealing member becomes due. Dealing members are required to pay one million Naira (Nimillion) as contribution to the Fund in fulfilment of licensing requirement set by the Exchange. The mandatory fee of Nimillion is to be paid before commencement of trading by the dealing members.

#### (ii) Interest income

Interest income 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.

### (b) 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.

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 statement 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. Unverified claims are recorded as contingent liabilities in the financial statements based on the IPF rules which specifies maximum thresholds for a claim.

### (c) Taxation

Contributions, 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 while the corresponding withholding taxes are expensed in the statement of comprehensive income.

### (d) Cash and cash equivalents

Cash and cash equivalents includes cash at bank, placements with financial institutions, other short-term highly liquid investments (i.e Treasury bills) with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 4 Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund's financial assets include government securities, bank balances and other receivables,

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost to the extent that they do not represent cash and cash equivalents.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

#### 4.1 Financial assets

Classification and measurement

From 1 January 2018, the Fund classifies its debt financial assets in the following measurement categories:

· Amortised Cost

The Fund does not have instruments classified at fair value.

#### a) Business model assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both.

The Fund assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Fund takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets
- · how the performance of assets in a portfolio is evaluated and reported to the Fund's management;
- · the risks that affect the performance of assets held within a business model and how those risks are managed;
- · how compensation is determined for the trustees that manages the assets; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

The Fund determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

- i) Financial assets held with the sole objective to collect contractual cash flows;
- ii) Financial assets held with the objective of both collecting contractual cash flows and selling; and
- iii) Financial assets held with neither of the objectives mentioned in the two categories above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets

#### (b) Cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund Manager assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

The classification requirements for debt instruments are described below:

#### (c) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government securities

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

#### (i) Financial assets measured at amortised cost

These represent assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

#### (d) Derecognition of financial assets

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

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

## (e) Impairment methodology

The Fund assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. The Fund does not have financial instruments measured at fair value.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Fund Manager.
- A financial instrument with significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- A financial instrument which is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The Fund's financial instruments subject to impairment relates to investment securities which are government instruments with very low credit risk as these are sovereign instruments with no history of default. A simplified approach was used by the Fund in determining the expected credit losses (ECL) on these instruments.

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or Fund of financial assets is impaired. A financial asset or a Fund 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 Fund 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 Fund.
- · Disappearance of an active market for an asset due to financial difficulties.

The impairment loss is calculated as the difference between the carrying amount of the financial assets and the present value of If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

#### (f) Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Fund makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Fund expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

#### (g) 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at the date. A number of the Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation technique that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

# (h) Impact of adoption of IFRS 9 to the Fund

The adoption of IFRS 9 resulted in changes in our accounting policies for recognition, classifications and measurement of financials assets and financial liabilities.

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the Fund.

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39			IFRS 9	
	0,7	Carrying		Re-	Carrying
In thousand of naira	Classification	amount	Classification	measurement	amount
Financial assets					
Treasury bills and Bonds	Held-to- maturity (Amortised cost)	750,765	Amortised cost	(4)	750,761
Bank balances and placements	Loans and receivables	330,861	Amortised cost	-	330,861
Other receivables	Loans and	71	Amortised cost	-	71
	receivables	•			•
Financial liabilities					
Other liabilities	Amortised cost	66,665	Amortised cost	-	66,665
Provision for claims	Amortised cost	114,235	Amortised cost	-	114,235
The table below summarises In thousands of naira	the impact of the adoption	of the new standa	ards on opening ret	ained earnings:	N'ooo
Loss allowance at 31st De	ecember 2017 under IAS	S 39			
Additional impairment recog					
Treasury bills and bonds at					4
Loss allowance at 1 Janua	ary 2018 under IFRS 9				4

## 4.2 Financial liabilities

#### (a) Classification and measurement

In both the current and prior period, financial liabilities are recognised initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost. The Fund has no financial liabilities in any other category. The Fund determines the classification of financial liabilities at initial recognition. The financial liabilities include other liabilities and provisions for claims.

#### (b) Derecognition of financial liabilities

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

## 4.3 Classification and measurement - (Retired Categories)

The Fund's comparative numbers of its financial assets are classified under the categories below in line with IAS 39:

- held to maturity; and
- loans and receivables;

#### (a) Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are carried at amortised cost, using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments to available-for-sale financial instruments, and would prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- \* sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- \* sales or reclassifications after the Fund has collected substantially all of the asset's original principal through scheduled payments or prepayments; and
- \* sales or reclassifications attributable to non-recurring isolated events beyond the Fund's control that could not have been reasonably anticipated.

The Fund classifies and measures investment in treasury bills as held to maturity.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Fund does not intend to sell immediately or in the near term.

Loans and receivables are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method.

The following items are classified and measured as loans and receivables by the Fund:

- (i) Cash and cash equivalents: Cash and cash equivalents include notes and coins in hand, deposits held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.
- (ii) Trade and other receivables: Other receivables comprise of trade receivables and other receivables. They are carried at original invoice amount less any allowance for doubtful receivables. Allowances for doubtful receivables are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. Other receivables are initially measured at fair value and subsequently measured at amortised cost.

## (5) Significant accounting judgements and estimates

The preparation of the financial statements to conform with IFRS 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:

#### (a) Provision for claims

Provisions for claims are measured based on the accounting policies on provisions, contingent liabilities and assets in note 3 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.

#### 6 Capital risk 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 its capital structure, the Fund is regularly monitored by the Board of Trustees who determines the nature of investments of the Fund's assets as well as the level of contribution of dealing members of the Fund.

#### 7 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.

#### 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, treasury bills and bonds with financial institutions in Nigeria. In instances where the portfolio has diverged from target asset allocations, the Fund's management 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 bonds and 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-18	31-Dec-17
	N' 000	N' 000
Cash and bank balances	353,003	330,861
Other receivables	_	71
Investment securities	826,767	750,765
	1,179,770	1,081,697

(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 2018 and 31 December 2017 is set out below respectively

31 December 2018 Nigeria	Cash and bank balances N'000	Other Receivables N'000	Investment securities N'000	N'000 1,179,770
31 December 2017				
Nigeria	330,861	71	750,765	1,081,697

### (iii) Credit quality of financial assets

The Fund's financial assets for the current period are classified as stage 1, stage 2 or stage 3 while those of prior period 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 2018 and 31 December 2017 is set out below:

### Credit quality by class

31 December 2018	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
Bank balances	353,003	-	-	353,003
Investment securities at amortised cost	826,767	=	-	826,767
	1,179,770			1,179,770
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 December 2017	N'000	N'000	N'000	N'ooo
Bank balances	330,861	-	-	330,861
Other receivables	-		71	71
Held to maturity investments	750,765	=	-	750,765
	1,081,626		71	1,081,697

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 2018

Financial assets	B+ N'000	B- N'000	Unrated N'000	Total N'000
Cash and bank balances	353,003	*	•	353,003
Investment securities at amortised cost	826,767			826,767
	1,179,770	-	-	1,179,770

#### 31 December 2017

Financial assets	B+ N'000	B- N'000	Unrated N'000	Total N'000
Bank balances	323,477	7,384	-	330,861
Held to maturity investments	750,765		-	750,765
Other receivables			71	71
	1,074,242	7,384	71	1,081,697

## Bank balances

The Fund's cash and bank balances and its investments in treasury bills are held with First Bank of Nigeria Limited, 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 Federal Government securities which are held with Access Bank Plc, First Bank of Nigeria Limited and Guaranty Trust Bank Plc.

#### Other receivables

Other receivables includes balance of contributions received by the Nigerian Stock Exchange on behalf of the Fund. These balances have been fully impaired as at reporting date.

## (b) 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 ca	asimows				
31 December 2018	Carrying	Gross	0 - 30	31 - 90	Above 90
	Amount	nominal	days	days	days
Financial assets	N'000	N'ooo	N'000	N'000	N'000
Bank balances	353,003	353,003	199,008	153,995	-
Investment securities	826,767	925,965	252,000	214,000	459,965
	1,179,770	1,278,968	451,008	367,995	459,965
Financial liabilities					
Provision for claims	135,335	135,335	135,335	=	-
Other liabilities	59,922	59,922	59,922	<u> </u>	-
	195,257	195,257	195,257		
Gap (Assets - Liabilities)	984,513	1,083,711	255,751	367,995	459,965
Contractual and undiscounted ca	ashflows				
31 December 2017	Carrying	Gross	0 - 30	31 - 90	Above 90
	Amount	nominal	days	days	days
Financial assets	N'ooo	N'ooo	N'ooo	N'ooo	N'000
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	_	_
Other habilities	180,900	180,900	180,900	-	-
Gap (Assets - Liabilities)	900,797	910,009	439,109	470,900	1=1

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, 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 investments 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 2018	Non Interest	oncess and the	Carrying
	bearing	Fixed Interest	amount
	N'ooo	N'000	N'000
Assets			
Bank balances	12,083	340,920	353,003
Investment securities	_	826,767	826,767
	12,083	1,167,687	1,179,770
Liabilities			, , , , , ,
Provision for claims	135,335		135,335
Other liabilities	59,922		59,922
	195,257	-	195,257
31 December 2017			
Assets			
Bank balances	7,968	322,893	330,861
Investment securities	-	750,765	750,765
Other receivables	71	700,700	71
	8,039	1,073,658	1,081,697
Liabilities			
Provision for claims	114,235	=	114,235
Other liabilities	66,665	-	66,665
	180,900	-	180,900

#### (ii) Currency risk and equity risk

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

## (d) 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. The amortised costs on bank balances and other receivables approximates their fair values due to their short maturity.

The table below shows the analysis of the financial instrument:

#### 31-Dec-18

31-Dec-17

	Carrying Value N'000	Fair Value N'000	Carrying Value N'000	Fair Value N'000
Financial assets				
Bank balances	353,003	353,003	330,861	330,861
Other receivables	-	-	71	71
Investment securities	826,767	815,639	750,765	751,699
	1,179,770	1,168,642	1,081,697	1,082,631
Financial liabilities				
Provision for claims	135,335	135,335	114,235	114,235
Other liabilities	59,922	59,922	66,665	66,665
	195,257	195,257	180,900	180,900

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	Level 2	Level 3	Fair value	Carrying value
31 December 2018	N'ooo	N'ooo	N'ooo	N'ooo	N'000
31 December 2010	11 000	11 000	11 000	11 000	11 000
Assets					
Bank balances	-	353,003	-	353,003	353,003
Investment securities	-	815,639	-	815,639	826,767
		1,168,642		1,168,642	1,179,770
Liabilities					
Provision for claims	-	-	135,335	135,335	135,335
Other liabilities			59,922	59,922	59,922
			195,257	195,257	195,257
	Level 1	Level 2	Level 3	Fair value	Carrying value
31 December 2017	N'000	N'ooo	N'ooo	N'000	N'ooo
Assets					
Bank balances	-	330,861	-	330,861	330,861
Other receivables	-	-	71	71	71
Investment securities		751,699	-	751,699	750,765
	_	1,082,560	71	1,082,631	1,081,697
Liabilities					
Provision for claims	_		114,235	114,235	114,235
Other liabilities	-	. <b>-</b> ,	66,665	66,665	66,665
	-	-	180,900	180,900	180,900
				- Auto-	

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.

8	Bank balances		
J	bank balances	31 Dec 2018	31 Dec 2017
		N' 000	N' 000
	Bank balances	7,870	7,968
	Money market placements	345,133	322,893
	:	353,003	330,861
8b	Cash and cash equivalent for cashflow purposes	_	
	Bank balances	7,870	7,968
	Money market placements	345,133	322,893
	Investment securities (Treasury bills less than 90 days)	460,992 <b>813,995</b>	310,376 <b>641,23</b> 7
	•		
9	Investment securities at amortised cost		
	Investment in treasury bills	714,996	Ħ
	Investment in FGN Bonds	111,775	-
	Allowance for ECL impairment (see note 9(a) below)	(4) 826,767	
	:	820,707	
	Held to maturity investments		
	Investment in treasury bills		750,765
	Current	714,992	750,765
	Non-current	826,767	750,765
00	Relance as at a January 2018 under IAS 20	_	31 Dec 2018 N' 000
9a	Balance as at 1 January 2018 under IAS 39		-
	Adjustment on initial application of IFRS 9 Adjusted balance as at 1 January 2018 under IFRS 9	_	4
	Net re-measurement of loss allowance		4
	Balance as at 1 January 2018	_	4
		31 Dec 2018 N' 000	31 Dec 2017 N' 000
10	Other receivables	2. 223	2. 220
	Due from The Nigerian Stock Exchange	122,397	122,468
	Gross total	122,397	122,468
	Impairment for credit losses (IAS 39 and IFRS 9)	(122,397)	(122,397) <b>71</b>
	The other receivable balance for the prior year are all current.		
	Due from The Nigerian Stock Exchange represents fines and penalties collected on behalf of the been fully provided for as recoverability of the amount is in doubt.	e Fund by the Exch	ange which have
	There was no additional impairment recognised upon transition to IFRS 9 as the asset had been Therefore IAS 39 impairment equates those of IFRS 9 impairments.	en fully impaired in	the prior period.
		31 Dec 2018	31 Dec 2017
(a)	Movement in impairment on other receivables is shown below	N' 000	N' 000
	Balance at 1 Jan 2018	122,397	122,397
	Additional impairment Balance at 31 Dec 2018	122,397	122,397
	2 minute at 0 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	^ <b></b> ,3 <i>9</i> /	,39/

11	Provision for claims	31 Dec 2018 N' 000	31 Dec 2017 N' 000
	Provision for claims as at 1 Jan 2018	114,235	87,003
	Current year provision	36,519	33,629
	Benefits paid	(15,419)	(6,397)
		135,335	114,235
	Current Provisions are made on the Fund based on verified claims by investors	135,335	114,235

Total number of claims verified under Board of Trustees approved methodology as at 31 December 2018 is 742 (Dec 2017: 659). Of this total number, 241 (Dec 2017: 179) claimants have been paid the total of N65.6 million (Dec 2017: N50.2million). A total provision of N135m have been provided for in full as at 31 December 2018 based on the maximum amount of N400,000 payable under the IPF rule.

12	Other liabilities	31 Dec 2018 N' 000	31 Dec 2017 N' 000
	Provision for litigations	47,575	54,294
	Audit fees payable	5,000	5,000
	Withholding tax payable	59	23
	Due to datapro	1,254	1,485
	Other payables	6,034	5,863
		59,922	66,665
	Current	12,347	12,371
	Non current	47,575	54,294
		59,922	66,665
		31 Dec 2018	31 Dec 2017
13	Interest income	N'ooo	N'ooo
	Interest income on money market placements	27,537	28,606
	Interest income on treasury bills	101,558	131,019
	Interest income on FGN Bonds	5,516	
		134,611	159,625
14	Other income		
	Reversal of excess contribution refundable	_	1,410
			1,410
15	Operating expenses		
-0	Professional fees	2,915	2,222
	Trustees emolument (see note 16.1 below)	2,590	1,016
	Audit fees	5,000	5,000
	Withholding tax on investments	2,182	2,402
	Litigation expenses	577	11,507
	Other expenses	1,108	503
		14,372	22,650

Litigation expense relates to additional provisions for litigation based on cumulative interests on the judgement debts granted against the Fund which are yet to be paid.

15.1	Trustees' emoluments		
		31 Dec 2018 N'000	31 Dec 2017 N'000
	Remuneration paid to the Trustees was:		
	Sitting allowances	1,245	650
	Other trustees related expenses	1,345	366
		2,590	1,016
	Sitting allowances and other emoluments disclosed above include amounts paid to:		
	Chairman	300	150
	Highest paid Trustee	300	150
	The average number of trustees during the year who earned more than N50,000 is shown below	ow:	
		31 Dec 2018	31 Dec 2017
	N50,000- N100,000	6	7
	N100,001- N150,000	1	1
	Above N150,000	2	-
		9	8

#### 16 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) through the board of trustees. As at the reporting date, the Fund did not have any transactions with the NSE or the Trustees of the Fund. The balances receivable from the related parties are as shown below:

31 Dec 2018 N' 000	31 Dec 2017 N' 000
	71
	N' 000

The NSE did not charge the Fund for any services rendered to it in the course of the financial year (2017: Nil)

### 17 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 2018. The five active suits have a total claim of N47.6m (Dec 2017: 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 and seven cases. 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) Claims

The Fund is aware of 935 claims. 193 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 N77.2m (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 2018 (Dec 2017: Nil)

### 18 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.

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND OTHER NATIONAL DISCLOSURES: STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 20			
	N' 000	%	N' 000	%	
Income					
Total revenue	134,611		161,035		
Cost of brought in goods and services (local)	(48,301)		(55,263)		
Value added	86,310 100% 105,77		105,772	100%	
Distribution of value added:					
Trustees emolument	2,590	3%	1,016	1%	
Retained in the Fund to augment reserve	83,720	97%	104,756	99%	
_	86,310	100%	105,772	100%	

# THE NIGERIAN STOCK EXCHANGE INVESTORS' PROTECTION FUND OTHER NATIONAL DISCLOSURES: FIVE YEAR FINANCIAL SUMMARY FOR YEAR ENDED 31 DECEMBER 2018

Statement of financial position	31 Dec 18 N' 000	31 Dec 17 N' 000	31 Dec 16 N' 000	31 Dec 15 N' 000	31 Dec 14 N' 000
ASSETS:					
Bank balances	353,003	330,861	227,359	495,895	463,204
Other receivables	.=	71	71	-	119,731
Investment securities	826,767	750,765	710,143	403,584	356,509
Total assets	1,179,770	1,081,697	937,573	899,479	939,444
LIABILITIES:					
Provision for claims	135,335	114,235	87,003	105,924	87,854
Other liabilities	59,922	66,665	54,529	69,088	45,296
Total Nahilida					
Total liabilities	195,257	180,900	141,532	175,012	133,150
EQUITY					
Net assets attributable to the Fund	984,513	900,797	796,041	724,467	806,294
Total equity	984,513	900,797	796,041	724,467	806,294
Total equity and liabilities	1,179,770	1,081,697	937,573	899,479	939,444
Statement of comprehensive income					
-	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
	N' 000				
Revenue	-	-	1,000	1,000	2,000
Interest income	134,611	159,625	98,151	73,845	75,630
Other income	-	1,410	-	45,594	20,683
Operating & Claim expenses	(50,891)	(56,279)	(180,978)	(62,921)	(18,086)
Surplus/(deficit) for the year	83,720	104,756	(81,827)	57,518	80,227