**Securities and Exchange Commission**

**Consolidated and separate financial statements for the year ended 31 December 2019**

**Securities and Exchange Commission**
**Consolidated and separate financial statements**
**For the year ended 31 December 2019**
**Contents**

**Board of the Commission, professional advisers and offices**

**Board of the Commission:**

| | |
|---|---|
| Olufemi Lijadu | Chairman* |
| Lamido Yuguda | Director General** |
| Mary Uduk | Ag. Director General *** |
| Edward Okolo | Ag. Executive Commissioner, Corporate Services*** |
| Isyaku Tilde | Ag. Executive Commissioner, Operations*** |
| Reginald Karawusa | Executive Commissioner, Legal and Enforcement** |
| Ibrahim Boyi | Executive Commissioner, Corporate Services** |
| Dayo Obisan | Executive Commissioner, Operations** |
| Ladi R. Faruk | Non-Executive Commissioner* |
| Angela Sere-Ejembi | Representative of CBN* |
| Okokon E. Udo | Representative of Federal Ministry of Finance* |
| Eno Otunba-payne | Ag. Secretary to the Commission |

*Inaugurated on 24 June 2019
**Effective July 2020
***Acting till June 2020

| | |
|---|---|
| **Auditors** | Messrs. PricewaterhouseCoopers<br>Chartered Accountants<br>Landmark Towers, 5B Water Corporation Road<br>Victoria Island<br>Lagos |
| **Banker** | Central Bank of Nigeria |
| **Head Office** | SEC TOWER<br>Plot 272 Samuel Ademulegun Street<br>Central Business District<br>P.M.B. 315, Garki<br>Abuja, Nigeria.<br>www.sec.gov.ng |
| **Lagos Zonal Office** | No 3, Idejo Street<br>Opposite Icon House<br>Off Adeola Odeku Street<br>Victoria Island<br>P.M.B. 12638 Marina, Lagos<br>Lagos State. |
| **Kano Zonal Office** | African Alliance House (4th Floor)<br>F1, Sani Abacha Way/ Airport Road<br>Opposite KLM Airlines, Kano<br>Kano State. |
| **Port Harcourt Zonal Office** | No. 31 Woji Road,<br>GRA Phase II,<br>Port Harcourt<br>Rivers State. |

The Board of the Securities and Exchange Commission ("the Commission" or "SEC") presents its audited financial statements for the year ended 31 December, 2019.

These financial statements have been prepared using the International Financial Reporting Standards (IFRS).

## 1 Legal form

The Commission was established under the Securities and Exchange Commission Act of 1979 as amended by the Investments and Securities Act of 2007 and domiciled in Nigeria. The Securities and Exchange Commission, Nigeria is the apex regulatory institution of the Nigerian capital market supervised by the Federal Ministry of Finance.

The registered head office is at Plot 272 Samuel Ademulegun Street, Central Business District, Garki, Abuja Nigeria.

## 2 Principal activities

The Commission is charged with the duties of:

(a) regulating investments and securities business in Nigeria;

(b) registering and regulating securities exchanges, capital trade points, futures, options and derivatives exchanges, commodity exchanges and any other recognised investment exchanges;

(c) registering securities to be offered for subscription or sale to the public;

(d) preparing adequate guidelines and organising training programmes and disseminating information necessary for the establishment of Securities Exchanges and Capital Trade Points;

(e) maintaining surveillance over the securities market to ensure orderly, fair and equitable dealings in securities;

(f) registering and regulating corporate and individual capital market operators and their agents with a view to maintaining proper standards of conduct and professionalism in the securities business;

(g) protecting the integrity of the securities market against abuses arising from the practice of insider trading;

(h) acting as regulatory apex organization for the Nigerian Capital Market including the promotion and registration of self-regulatory organisations and capital market trade associations to which it may delegate its powers;

(i) reviewing, approving and regulating mergers, acquisitions and all forms of business combinations;

(j) promoting investors' education and the training of all categories of intermediaries in the securities industry;

(k) undertaking such other activities as are necessary or expedient for giving full effect to the provisions of the Investments and Securities Act of 2007.

## 3 Board of the Commission

The composition of the Board of the Commission as provided for under Section 3 of the Investments and Securities Act of 2007 is as stated on page 1 of these financial statements.

## 4 Operating results for the year

| | Group | | Commission | |
|---|---|---|---|---|
| | 31 December 2019 N '000 | 31 December 2018 N '000 | 31 December 2019 N '000 | 31 December 2018 N '000 |
| Income | 8,701,922 | 8,164,232 | 8,649,671 | 8,093,854 |
| Expenditure | (18,120,574) | (9,163,412) | (17,927,320) | (8,733,253) |
| **Deficit for the year** | **(9,418,652)** | **(999,180)** | **(9,277,649)** | **(639,399)** |

**5 Property and equipment**

Movements in property and equipment during the year are as shown in note 13 to these financial statements.

**6 Financial commitments**

The Commission has taken all known liabilities and commitments into consideration in the preparation of these financial statements.

**7 Auditors**

The auditors, Messrs PricewaterhouseCoopers, have indicated their willingness, to continue in office as auditors of the Commission.

By order of the Commission

Eno Otunba-payne
Ag. Secretary to the Commission
Abuja, Nigeria
24 September 2020

## Statement of Board's responsibility for the financial statements

In accordance with the provisions of the Investments and Securities Act, the Board of the Commission is responsible for the preparation of financial statements which give a true and fair view of the state of financial affairs of the Commission at the end of the year and its profit or loss in accordance with International Financial Reporting Standards (IFRS) and Financial Reporting Council of Nigeria (FRCN) Act.

The responsibilities include ensuring that:

I. the Commission keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Commission and comply with the requirements of the Investments and Securities Act;

ii. appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;

iii. the Commission prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in line with International Financial Reporting Standard (IFRS) and the Financial Reporting Council of Nigeria (FRCN) Act.

The Board further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board by:

**Olufemi Lijadu**
**Chairman, Board of the Commission**
**FRC/2020/004/00000022312**
**24 September 2020**

**Lamido Yuguda**
**Director-General**
**FRC/2020/004/00000022161**
**24 September 2020**

pwc

# Independent auditor's report

To the Members of Securities and Exchange Commission

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Securities and Exchange Commission ("the Commission") and its subsidiaries (together "the Group") as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Investment and Securities Act and the Financial Reporting Council of Nigeria Act.

**What we have audited**

Securities and Exchange Commission's consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended 31 December 2019;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate 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 consolidated and separate 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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Other information

The Board of the Commission is responsible for the other information. The other information comprises Board of the Commission, Professional advisers and offices, Report of the Board of the Commission, Statement of Board's responsibilities, Statement of value added and Five-year financial summary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements*

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

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

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

## *Auditor's responsibilities for the audit of the consolidated and separate financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of the Commission.
- Conclude on the appropriateness of Board of the Commission's 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 Group'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 consolidated and separate 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Tolu Adeleke

For: **PricewaterhouseCoopers**

Chartered Accountants
Lagos, Nigeria

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

26 February 2021

**Securities and Exchange Commission**
**Consolidated and separate financial statements**
**For the year ended 31 December 2019**
**Statements of profit or loss and other comprehensive income**

| | Note | Group 31 December 2019 N '000 | Group 31 December 2018 N '000 | Commission 31 December 2019 N '000 | Commission 31 December 2018 N '000 |
|---|---|---|---|---|---|
| Fee income from operations | 5 | 5,905,062 | 5,473,477 | 5,905,062 | 5,473,477 |
| Interest income | 6 | 2,424,147 | 2,561,913 | 2,424,147 | 2,561,913 |
| Other income | 7 | 368,709 | 128,842 | 316,458 | 58,464 |
| Finance income on leases | 8 | 4,004 | - | 4,004 | - |
| **Total income** | | **8,701,922** | **8,164,232** | **8,649,671** | **8,093,854** |
| Employee benefits expense | 9 | (15,334,309) | (6,460,767) | (15,334,309) | (6,460,767) |
| Depreciation and amortisation expenses | 10 | (241,591) | (270,583) | (229,903) | (259,291) |
| Other operating expenses | 11 | (2,571,660) | (2,433,324) | (2,390,094) | (2,014,457) |
| Net impairment on financial assets | 12 | 37,524 | 1,262 | 37,524 | 1,262 |
| Finance expense on leases | 13 | (10,538) | - | (10,538) | - |
| **Total expenditure** | | **(18,120,574)** | **(9,163,412)** | **(17,927,320)** | **(8,733,253)** |
| **Deficit for the year** | | **(9,418,652)** | **(999,180)** | **(9,277,649)** | **(639,399)** |
| **Other comprehensive loss:** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Actuarial gain/(loss) on employee benefit scheme | 26 | 424,366 | (12,522) | 424,366 | (12,522) |
| **Other comprehensive income for the year** | | **424,366** | **(12,522)** | **424,366** | **(12,522)** |
| **Total comprehensive loss for the year** | | **(8,994,286)** | **(1,011,702)** | **(8,853,283)** | **(651,921)** |

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

**Securities and Exchange Commission**
**Consolidated and separate financial statements**
**As at 31 December 2019**
**Statements of financial position**

| | Note | Group 31 December 2019 N '000 | Group 31 December 2018 N '000 | Commission 31 December 2019 N '000 | Commission 31 December 2018 N '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | 14 | 3,025,958 | 3,055,829 | 3,006,141 | 3,033,276 |
| Right of use assets | 14 | 59,130 | - | 59,130 | - |
| Intangible assets | 16 | 45,642 | 76,463 | 45,642 | 76,463 |
| Interest in structured entities | 17 | - | - | 15,000,000 | 15,000,000 |
| Staff loans and other receivables | 18 | 607,991 | 664,652 | 607,991 | 664,652 |
| Investment securities | 19 | 4,012,030 | 4,021,143 | 4,012,030 | 4,021,143 |
| Prepayments | 20 | 425,360 | 1,071,311 | 425,360 | 1,071,311 |
| Finance lease receivables | 21 | 22,704 | - | 22,704 | - |
| Retirement benefit assets | 26 | - | 88,022 | - | 88,022 |
| **Total non-current assets** | | **8,198,815** | **8,977,420** | **23,178,998** | **23,954,867** |
| **Current assets** | | | | | |
| Staff loans and other receivables | 18 | 203,046 | 174,729 | 203,046 | 174,729 |
| Investment securities | 19 | 12,493,045 | 14,886,346 | 12,493,045 | 14,886,346 |
| Prepayments | 20 | 1,100,760 | 1,588,621 | 1,100,760 | 1,586,921 |
| Finance lease receivables | 21 | 4,381 | - | 4,381 | - |
| Cash and bank balances | 22 | 467,664 | 583,067 | 466,841 | 392,638 |
| **Total current assets** | | **14,268,896** | **17,232,763** | **14,268,073** | **17,040,634** |
| **Total assets** | | **22,467,711** | **26,210,183** | **37,447,071** | **40,995,501** |
| **Liabilities** | | | | | |
| **Non current liabilities** | | | | | |
| Retirement benefit obligations | 26 | 5,886,003 | - | 5,886,003 | - |
| Lease liabilities | 23 | 70,166 | - | 70,166 | - |
| **Total non-current liabilities** | | **5,956,169** | - | **5,956,169** | - |
| **Current liabilities** | | | | | |
| Lease liabilities | 23 | 4,399 | - | 4,399 | - |
| Accruals | 24(a) | 94,977 | 32,017 | 94,977 | 26,250 |
| Sundry and other creditors | 24(b) | 874,263 | 1,299,840 | 17,890,942 | 18,269,246 |
| Payable to Consolidated Reserve Fund | 24(c) | 709,677 | 760,872 | 709,677 | 760,872 |
| Provisions | 25 | 535,739 | 801,540 | 535,739 | 801,540 |
| **Total current liabilities** | | **2,219,055** | **2,894,269** | **19,235,734** | **19,857,908** |
| **Total liabilities** | | **8,175,224** | **2,894,269** | **25,191,903** | **19,857,908** |
| **Equity** | | | | | |
| Capital grant | 27 | 496,858 | 496,858 | 496,858 | 496,858 |
| Capital reserve fund | 28 | 447,676 | 447,676 | 447,676 | 447,676 |
| Accumulated reserve fund | | 13,347,953 | 22,371,380 | 11,310,634 | 20,193,059 |
| **Total equity** | | **14,292,487** | **23,315,914** | **12,255,168** | **21,137,593** |
| **Total equity and liabilities** | | **22,467,711** | **26,210,183** | **37,447,071** | **40,995,501** |

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

These financial statements were approved and authorised for issue by the Board of the Commission on 24 September 2020 and signed on its behalf by:

**Olufemi Lijadu**
**Chairman, Board of the Commission**
**FRC/2020/004/00000022312**
**24 September 2020**

**Lamido Yuguda**
**Director-General**
**FRC/2020/004/00000022161**
**24 September 2020**

**Additionally certified by:**

**Ibrahim Boyi**
**Executive Commissioner, Corporate Services**
**FRC/2013/IODN/00000004347**
**24 September 2020**

**Securities and Exchange Commission**
**Consolidated and separate financial statements**
**For the year ended 31 December 2019**
**Statements of changes in equity**

**Group**

| | Capital grant | Capital reserve fund | Accumulated fund | Total |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| **At 1 January 2019** | **496,858** | **447,676** | **22,371,380** | **23,315,914** |
| Impact of IFRS 16 adoption | | | 6,500 | 6,500 |
| **Restated total equity** | **496,858** | **447,676** | **22,377,880** | **23,322,414** |
| Deficit for the year | - | - | (9,418,652) | (9,418,652) |
| Transfer to Consolidated Revenue Fund account | - | - | (35,641) | (35,641) |
| **Other comprehensive income** | | | | |
| Actuarial loss on defined benefit scheme | - | - | 424,366 | 424,366 |
| **Total comprehensive income** | - | - | **(9,029,927)** | **(9,029,927)** |
| **At 31 December 2019** | **496,858** | **447,676** | **13,347,953** | **14,292,487** |
| **At 1 January 2018** | **496,858** | **447,676** | **23,648,612** | **24,593,146** |
| Deficit for the year | | | (999,180) | (999,180) |
| Transfer to Consolidated Revenue Fund account | | | (265,530) | (265,530) |
| **Other comprehensive income** | | | | |
| Actuarial loss on defined benefit scheme | - | - | (12,522) | (12,522) |
| **Total comprehensive income** | - | - | **(1,277,232)** | **(1,277,232)** |
| **At 31 December 2018** | **496,858** | **447,676** | **22,371,380** | **23,315,914** |

**Commission**

| | Capital grant | Capital reserve fund | Accumulated fund | Total |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| **At 1 January 2019** | **496,858** | **447,676** | **20,193,059** | **21,137,593** |
| Impact of IFRS 16 adoption | | | 6,500 | 6,500 |
| **Restated total equity** | **496,858** | **447,676** | **20,199,559** | **21,144,093** |
| Deficit for the year | - | - | (9,277,649) | (9,277,649) |
| Transfer to Consolidated Revenue Fund account | - | - | (35,641) | (35,641) |
| **Other comprehensive income** | | | | |
| Actuarial loss on defined benefit scheme | - | - | 424,366 | 424,366 |
| **Total comprehensive income** | - | - | **(8,888,925)** | **(8,888,925)** |
| **At 31 December 2019** | **496,858** | **447,676** | **11,310,634** | **12,255,168** |
| **At 1 January 2018** | **496,858** | **447,676** | **21,110,510** | **22,055,044** |
| Surplus for the year | | | (639,399) | (639,399) |
| Transfer to Consolidated Revenue Fund account | | | (265,530) | (265,530) |
| **Other comprehensive income** | | | | |
| Actuarial loss on defined benefit scheme | - | - | (12,522) | (12,522) |
| **Total comprehensive income** | - | - | **(917,451)** | **(917,451)** |
| **At 31 December 2018** | **496,858** | **447,676** | **20,193,059** | **21,137,593** |

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

**Statements of cash flows**

| | | Group | | Commission | |
|---|---|---|---|---|---|
| | | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | | N '000 | N '000 | N '000 | N '000 |
| **Net cash generated from operating activities** | 29 | (2,190,448) | 719,762 | (2,009,794) | 653,828 |
| Lease payments(interest element) | | (3,828) | - | (3,828) | - |
| **Cash flows used in operating activities** | | **(2,194,276)** | **719,762** | **(2,013,622)** | **653,828** |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property and equipment | 14 | (170,836) | (52,825) | (161,884) | (52,684) |
| Finance lease payments received | 21 | 6,816 | - | 6,816 | - |
| Interest received | | 656,849 | 717,475 | 656,849 | 717,475 |
| Acquisition of intangible assets | 16 | - | (9,048) | - | (9,048) |
| Proceeds from maturity of investment securities | | 13,733,834 | 8,458,000 | 13,733,834 | 8,458,000 |
| Acquisition of Investment securities | | (12,057,050) | (20,691,872) | (12,057,050) | (20,691,872) |
| **Net cash generated from/(used in) investing activities** | | **2,169,613** | **(11,578,270)** | **2,178,565** | **(11,578,129)** |
| **Cash flows from financing activities** | | | | | |
| Lease payments(principal element) | | (3,904) | - | (3,904) | - |
| Payment to Consolidated Reserve Fund | | (86,836) | (30,000) | (86,836) | (30,000) |
| **Net cash used in financing activities** | | **(90,740)** | **(30,000)** | **(90,740)** | **(30,000)** |
| Net (decrease)/increase in cash and cash equivalents | | (115,403) | (10,888,508) | 74,203 | (10,954,301) |
| Cash and cash equivalents at start of year | | 583,067 | 11,471,575 | 392,638 | 11,346,939 |
| **Cash and cash equivalents at end of year** | | **467,664** | **583,067** | **466,841** | **392,638** |
| **Cash and cash equivalents comprise:** | | | | | |
| Cash in hand | 22 | 851 | 1,128 | 49 | 325 |
| Cash and bank balances | 22 | 466,813 | 581,939 | 466,792 | 392,313 |
| **Total cash and cash equivalents** | | **467,664** | **583,067** | **466,841** | **392,638** |

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

**1. General information**

These financial statements are the consolidated and separate financial statements of the Securities and Exchange Commission ("the Commission" or "SEC") and its subsidiaries (hereafter referred to as 'the Group') for the year ended 31 December 2019.

The Commission was established under the Securities and Exchange Commission Act (No. 71) of 1979 as amended by the Investments and Securities Act (ISA) No.29 of 2007.
The principal activities of the Commission include the following:
- registering and regulating securities exchanges
- reviewing and approving mergers and all forms of business combinations and protecting the integrity of the capital market.

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

These financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Additional information required by national regulations is included where appropriate.

**2.2 Basis of measurement**

These financial statements are presented in Naira, which is the Group's presentation currency. The figures shown in the financial statements are denominated in Naira and in thousands.

The preparation of financial statements in conformity with IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.17

**2.3 Going concern**

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

**2.4 Changes in accounting policies and disclosures**

**i) New standards, amendments and interpretations adopted by the group.**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

**IFRS 16- Leases**

The Group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaces IAS 17. The standard requires a lease liability and a Right-of-use asset to be recognised for almost all leases treated as operating leases previously. IFRS 16 also provides recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Securities and Exchange Commission has applied IFRS 16 Leases with a date of initial application of 1 January 2019 and has changed its accounting policies for lease contracts disclosed in note 2.8. The Group has applied IFRS 16 using the modified retrospective approach explained in note 2.4.1.

**IFRIC 23 Uncertainty over income tax treatment**

This interpretation was issued in June 2017 IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the tax authority may affect an entity's accounting for a current or deferred tax asset or liability.

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Where there is an uncertainty, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit(tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined using this Interpretation. This interpretation had no impact on the consolidated financial statements of the Group as at the reporting date.

**Prepayment Features with Negative Compensation – Amendments to IFRS 9**

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. This interpretation had no impact on the consolidated financial statements of the Group as at the reporting date.

**Employee Benefits Plan Amendment, Curtailment or Settlement - Amendments to IAS 19**
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :
- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
-separately recognise any changes in the asset ceiling through other comprehensive income.

This interpretation had no impact on the consolidated financial statements of the Group as at the reporting date.

**ii) Standards, amendments and interpretations issued but not yet effective.**
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2019, and have not been applied in preparing these financial statements. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Amendments to References to Conceptual Framework in IFRS Standards.**
This amendment is effective from 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

**Definition of a Business- Amendments to IFRS 3.**
These amendments are effective 1 January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

**Definition of Material (Amendments to IAS 1 and IAS 8).**
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of 'material' across the standards and to clarify certain aspects of the definition. Amendment is effective 1 January 2020

The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their effective dates.

**2.4.1** **<u>Impact of adoption of IFRS 16</u>**

This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 January 2019. The new accounting policies are disclosed in note 2.8.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranges from 15% to 17% depending on the lease term.

As a lessee, the Group had no leases previously classified as finance leases.

***<u>Practical expedients applied</u>***

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There was no onerous contract as at 1 January 2019.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

For lease contracts where the Group is the lessor, the Group reassessed the classification of some of the existing sublease contracts previously classified as operating leases under the previous reporting Standard (IAS 17). For subleases that were concluded to be finance leases under IFRS 16, they have been accounted for as new finance leases entered into at the date of initial application.

*i* ***Impact on the financial statements***

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included.

| **GROUP** | *As at 31 December 2018* | *Impact of IFRS 16* | | |
|---|---|---|---|---|
| | | *Reclassification* | *Remeasurement* | *As at 1 January 2019* |
| | N'000 | N'000 | N'000 | N'000 |
| **Assets** | | | | |
| Right-of-use assets | - | 23,481 | 45,712 | **69,193** |
| Prepayment | 23,481 | (23,481) | - | **-** |
| Finance lease receivables | - | - | 32,547 | **32,547** |
| **Liabilities** | | | | |
| **Non-current** | | | | |
| Lease liabilities | - | - | (67,933) | **(67,933)** |
| **Current** | | | | |
| Lease liabilities | - | - | (3,826) | **(3,826)** |
| **Equity** | | | | |
| Accumulated reserve fund | (22,371,380) | - | (6,500) | **(22,377,880)** |

| **COMMISSION** | *As at 31 December 2018* | *Impact of IFRS 16* | | |
|---|---|---|---|---|
| | | *Reclassification* | *Remeasurement* | *As at 1 Jan 2019* |
| | N'000 | N'000 | N'000 | N'000 |
| **Assets** | | | | |
| Right-of-use assets | - | 23,481 | 45,712 | **69,193** |
| Prepayment | 23,481 | (23,481) | - | **-** |
| Finance lease receivables | - | - | 32,547 | **32,547** |
| **Liabilities** | | | | |
| **Non-current** | | | | |
| Lease liabilities | - | - | (67,933) | **(67,933)** |
| **Current** | | | | |
| Lease liabilities | - | - | (3,826) | **(3,826)** |
| **Equity** | | | | |
| Accumulated reserve fund | (20,193,059) | - | (6,500) | **(20,199,559)** |

*ii* ***Measurement of lease liabilities***

| | **1 January 2019** | |
|---|---|---|
| | **Group** N'000 | **Commission** N'000 |
| Operating lease commitments disclosed as at 31 December 2018 | - | - |
| Add: adjustments as a result of a different treatment of extension and termination options | 71,760 | 71,760 |
| Lease liabilities recognised as at 1 January 2019 | 71,760 | 71,760 |

*iii* ***Right of use assets as at 1 January 2019***

The associated right-of-use assets for property and land leases were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leases for land and buildings.

**2.5 Consolidation**

The financial statements of the consolidated subsidiaries used to prepare these financial statements were prepared as of the Commission's reporting date. The consolidation principles have been applied consistently.

***(a) Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.
Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group
Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

***(b) Consolidated structured entities***

The consolidated financial statements of the Group comprise the financial statements of the parent entity and the three controlled structured entities as at 31 December 2019 Consolidated structured entities are entities over which the Commission has control.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The National Investor Protection Fund, Nigerian Capital Market Development Fund and Nigeria Capital Market Institute are structured entities set up for investor protection against losses from systematic failures in the capital market, development of the capital market and education and training of the investing public in Nigeria.

The Commission does not have any direct or indirect shareholding in these entities. However, based on the evaluation of the substance of the relationship between the Commission and these entities, the Commission has practical ability to direct the relevant activities of these funds, power over the funds, is exposed to, or has rights to, variable returns from its involvement with the funds and has the ability to affect these returns through its power over the funds. Once control is established, the result of a structured entity is consolidated.
Specifically, the Commission controls an entity if and only if the Commission has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Commission re-assesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a structured entity begins when the Commission obtains control over the structured entity and ceases when the Commission loses control of the structured entity. Assets, liabilities, income and expenses of a structured entity established during the year are included in the Group's financial statements from the date the Commission achieve control until the date the Commission ceases to control the entity.

***(c) Consolidation and Inter-company balances***

The integration of the financial information of structured entities into the Group's financial statements is based on consistent accounting methods and inter-company transactions and balances are eliminated on consolidation.

Inter-company transactions, balances and intragroup gains on transactions between Group entities are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

***(d) Transactions and non-controlling interests***

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as noncontrolling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

***(e) Disposal of subsidiaries***

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised in statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

### 2.6 Foreign currency translation

***(a) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Naira , which is the Group's presentation currency.

***(b) Transactions and balances***

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

### 2.7 Financial instruments

The Group's accounting policies with respect to financial instruments are in line with IFRS 9. The provisions of IFRS 9 relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

#### (a) Classification and measurement

**Financial assets**

The group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
-those to be measured at amortised cost.
The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:
- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent sole payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Financial liabilities**

Financial liabilities of the Group are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Group's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Group's financial liabilities include trade and other creditors.

#### b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost, financial asset measured at FVTOCI and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The general approach is applied to cash and bank balances, loans and advances to staff, investment securities and lease receivables. The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the quantitative, backstop and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as inflation rate in Nigeria, unemployment rates and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

**c) Significant increase in credit risk and default definition**

The Group assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Group identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are determined to have experienced significant increase in credit risk. These assets are classified as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Group's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

**d) Derecognition**

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised in profit or loss.

**Financial liabilities**

The Group derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

**e) Modification**

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

**f) Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**g) Fair value of financial instruments**

The 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. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

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

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

**h) Contingent liabilities and contingent assets**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

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 Commission. Contingent assets are not recognized but they are disclosed in the financial statement when they arise.

**2.8 Leases - Accounting policy from 1 January 2019**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified;
– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
– the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.
This policy is applied to contracts entered into, or modified, on or after 1 January 2019.

The Group primarily leases land and building (used as office space). The lease terms are typically for fixed periods ranging from 2 years to 25 years but may have extension options as described below. On renewal of a lease, the terms may be renegotiated.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease agreements do not impose any covenants, however, leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

***Leases in which the Group is a lessee***

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

***Lease liabilities***

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group has considered its current cost of borrowing and has used a build-up approach to adjust the reference rate for leases of different duration.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

The Group presents lease liabilities separately from other liabilities in the statement of financial position.

***Right of use assets***

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group presents right-of-use assets (note 15) seperately from Property, Plant and equipment (note 14)

***Short-term leases and leases of low-value assets***

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1,800,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term.

***Extension and termination options***

Extension and termination options are included in the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the lessee and lessor and some of the termination options held are exercisable only by the Group.

***Leases in which the Group is a Lessor***

(i) Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

(ii) Finance lease

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

**2.9 Revenue recognition**

**a) Fee income from operations**

The Group's major revenue is refered to as fee income from operations. The Group, in its capacity as the apex regulator of the Nigerian Capital Market, generates revenue through the registration of securities and capital market operators, approval of capital market transactions and supervision of trading activities on registered exchanges and trading platforms. This includes registration fees, market transaction fees, penalties and fines. The revenue of the Group is generated from non-exchange transactions that do not arise from contracts with customers. The Group recognizes revenues from market transaction fees, registration fees, penalties and fines, when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**b) Interest income**

Interest income for all interest-bearing financial instruments are accrued and recognized within 'Interest income' in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**2.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash in current accounts, cash with the Central Bank of Nigeria, deposits held at call with banks and other short-term investments.

For cash flow purposes, cash and cash equivalents include cash in hand, cash in current accounts, cash with the Central Bank of Nigeria, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less including treasury bills with less than three months from original maturity.

**2.11 Other receivables**

Other receivables relate to receivables from non-exchange transactions and comprises; market transaction fees, fines and penalties and other receivables that do not arise out of a contract. These receivables are initially assessed at nominal amount or face value; that is, the receivable reflects the amount of fees or fine charged. These receivables are subsequently adjusted for penalties as they are charged,and tested for impairment. Further information relating to this is set out in note 18.

**2.12 Property and equipment**

Land and buildings comprise mainly offices held within the country. All items of property and equipment used by the Group is measured at historical cost less depreciation (see note 14). Cost includes expenditure that is directly attributable to the acquisition of the items. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

An asset is recognized when it is probable that economic benefits associated with the item flow to the Group and the cost of the item can be reliable measured. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

For replacement parts, the carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

Section 49(1&2) of the Land Use Act of 1978 makes land a freehold for government agencies. Consequently land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings: 40 years
- Motor vehicles: 3 years
- Office furniture, fittings and equipment: 4 years
- Computer hardware: 4 years

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other income' in the statement of profit or loss.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as Prepayments and upon delivery are reclassified as additions in the appropriate category of property and equipment.

The carrying amount of an item of property and equipment is derecognized either on disposal or when no future economic benefits are expected from the continuing use or disposal of the asset.

### 2.13 Intangible assets

Intangible assets comprise computer software licenses. Intangible assets are initially recognized at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful life. Intangible assets with an indefinite useful life are not amortized. Generally, the identified intangible assets of the Group have a definite useful life. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognized as intangible assets are amortized on the straight-line basis over 4 years and are carried at cost less any accumulated amortization and any accumulated impairment losses.

### 2.14 Employee benefits

**Post-employment benefits**

Defined contribution scheme:

For defined contribution plans, the Commission pays contributions to privately administered pension plans on a contractual basis. Group contributes a minimum of 10% of monthly emoluments with the employee contributing a minimum of 8% of the same monthly emoluments.

**Defined benefit scheme:**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The employer's obligation is calculated periodically by independent actuaries using the projected unit credit method. The liability recognized in the Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the Group's statement of financial position less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields of Federal Government Bonds of Nigeria as high quality corporate bonds are not available.

The fair value of the plan assets are determined using prices from the Nigeria Stock Exchange and FMDQ for listed equities and bonds. The other plan assets are maintained as short term placements with banks whose carrying amount approximates its fair value.

Remeasurement gains and losses are recognized in full in other comprehensive income when they occur.

The Group recognises past service costs immediately in profit or loss.

The Group recognises interest cost on the defined benefit obligation as a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

**Post-employment medical benefits**

The entitlement is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period of 10 years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit scheme. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**Gratuity scheme**

The Group also operates a gratuity scheme for its qualified employees. Benefits are related to the employees' length of service and remuneration. The cost of providing gratuity benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses are recognised immediately through other comprehensive income. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

**Short term employee benefits**

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

A liability is recognised for the amount expected to be paid under short-term employee benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 2.15 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events for which 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.

### 2.16 Equity

**Accumulated reserve fund:**

Accumulated reserve fund represents all the accumulated surpluses and losses from prior periods and this period.
In accordance with section 22(1) and (2) of the Fiscal Responsibility Act 2007, the Commission makes an annual appropriation representing twenty percent of the operating surplus of the Commission for the year to a general reserve fund.
All remaining surplus after the statutory appropriations to the general reserve fund is payable to the Federal Government of Nigeria not later than one month following the deadline for publication of the financial statements of the Group and is classified as a current liability as part of sundry and other creditors.

**Capital reserve fund:**

Capital reserve fund represents one-fifth of the Commission's operating cash surplus for 2007 and 2008 financial years that was transferred to this reserve before remittance of the balance to the Federal Government of Nigeria in compliance with section 22(1) of the Fiscal Responsibility Act 2007.

**Capital grant:**

The capital grant represents funds received from the Federal Ministry of Finance on behalf of the Federal Government of Nigeria as owner's equity contribution. No additional equity contribution during the period under review.

### 2.17 Account payables

Account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.
Account payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.18 Critical accounting estimates and judgements

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

**Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

**Determining incremental borrowing rate for leases**

The lease payments are discounted using the Group's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group has considered its current cost of borrowing and has used a build-up approach to adjust the reference rate for leases of different duration.

**Estimates and assumptions**

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

**Measurement of the expected credit loss allowance**

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 2.7 (b).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- The probability of default, loss given default and the recovery rate;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

**Defined benefit plans**

The cost of the defined benefit pension plan, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management assumption with reference to the yields on Nigerian Government bonds, as compiled by the Debt Management Office were used since there is no deep market in corporate bonds in Nigeria. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.
The mortality rate is based on pre-retirement mortality: A49/52 ultimate tables and post-retirement mortality: A55 ultimate tables. Future salary increases is based on expected future inflation rates.
Further details about defined benefit obligations are given in Note 26.

**Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on Management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items

## 3 Financial risk management

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

i) Credit risk

ii) Liquidity risk

iii) Market risk

iv) Capital risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the commission's financial performance.

Risk management is carried out by the finance department under policies approved by the Board of the Commission. The Group's Treasury Division identifies, evaluates and manages financial risks in close co-operation with the commission's operating units. The board provides written principles for overall risk management, as well as written policies covering specific investment buying decisions and management of financial instruments and investment of excess liquidity.

### 3.1 Credit risk

Credit risk is the risk that the Group will incur losses as a result of the failure of debtors and staff to meet their obligations. Credit risks essentially arise from granting loan facilities to staff members as well as failure of banks and bonds issuers to meet principal and interest payments on due dates. Credit risks are managed by regular monitoring of the ratings of treasury bills and other related debtors.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of the Commission and head of each business unit.

### 3.1.1 Credit risk management

Credit risk poses a significant risk to the Group's business because of its asset portfolio; management therefore carefully manages its exposure to credit risk. This risk is managed by executive management through policies that ensure collectability of receivable amounts.

The credit risk is mitigated by the Group limiting its investment portfolio to Federal Government securities which are relatively risk-free. The Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

The maximum exposure to credit risk as at the reporting date is detailed below:

| **Group** | **31 December 2019 N'000** | **31 December 2018 N'000** |
|---|---|---|
| **Cash and cash equivalents** | | |
| Bank balances | 466,813 | 581,939 |
| **Other financial assets** | | |
| Staff loans | 734,672 | 1,036,494 |
| Investment securities | 16,540,680 | 18,942,541 |
| Finance lease receivables | - | 29,735.42 |
| **Gross amount** | 17,742,165 | 20,560,974 |
| Impairment of financial assets | (162,461) | (205,286) |
| **Net amount** | 17,579,704 | 20,355,687 |

Cash and bank balances, other financial assets (excluding prepayments) are financial instruments whose carrying amounts as per the financial statements approximate their fair values.

The gross carrying amount of the Group's financial assets have been disclosed using the days past due criteria and other borrower specific information.

| **Commission** | **31 December 2019 N'000** | **31 December 2018 N'000** |
|---|---|---|
| **Cash and cash equivalents** | | |
| Bank balances | 466,792 | 392,313 |
| **Other financial assets** | | |
| Staff loans | 734,672 | 1,036,494 |
| Investment securities | 16,505,075 | 18,907,489 |
| Finance lease receivables | - | 29,735.42 |
| **Gross amount** | 17,706,539 | 20,366,031 |
| Impairment of financial assets | (162,461) | (205,286) |
| **Net amount** | 17,544,078 | 20,160,745 |

**b) Estimation uncertainty in measuring impairment loss**

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Group's financial assets.

**Staff loans**

**i) Expected cash flow recoverable**

The table below demonstrates the sensitivity of ECL to a 10% change in the expected cash flows from financial assets, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in estimated cash flows | | |
| +10% | 12,220 | 15,171 |
| -10% | (12,220) | (15,171) |

**ii) Significant input of ECL**

The table below demonstrates the sensitivity to movements in the loss given default (LGD) for financial assets with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Loss Given Default | | |
| +10% | 3,810 | 2,786 |
| -10% | (3,810) | (2,786) |

The table below demonstrates the sensitivity to movements in the probability of default (PD) for financial assets classified as stage 1 and stage 2 financial assets, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Probability of Default | | |
| +10% | 10,013 | 12,645 |
| -10% | (10,013) | (12,645) |

**iii) Sensitivity to macroeconomic variables**

Inflation

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Inflation | | |
| +10% | 4,230 | 5,768 |
| -10% | (4,230) | (5,768) |

Crude Oil Price

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Crude Oil | | |
| +10% | (1,843) | (3,567) |
| -10% | 1,843 | 3,567 |

**Investment Securities**

**i) Expected cash flow recoverable**

The table below demonstrates the sensitivity of ECL to a 10% change in the expected cash flows from financial assets, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in estimated cash flows | | |
| +10% | 3,710 | 3,624 |
| -10% | (3,710) | (3,624) |

**ii) Significant input of ECL**

The table below demonstrates the sensitivity to movements in the loss given default (LGD) for financial assets, other than trade receivables, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Loss Given Default | | |
| +10% | 1,100 | 626 |
| -10% | (1,100) | (626) |

The table below demonstrates the sensitivity of ECL to movements in the probability of default (PD) for financial assets, other than trade receivables, classified as stage 1 and stage 2 financial assets, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Probability of Default | | |
| +10% | 3,531 | 3,476 |
| -10% | (3,531) | (3,476) |

**iii) Sensitivity to macroeconomic variables**

Inflation

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in Inflation | | |
| +10% | 1,436 | 1,830 |
| -10% | (1,436) | (1,830) |

GDP Growth rate

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in GDP Growth rate | | |
| +10% | (382) | (445) |
| -10% | 382 | 445 |

**Finance lease receivables**

**i) Expected cash flow recoverable**

The table below demonstrates the sensitivity of ECL to a 10% change in the expected cash flows from financial assets, with all other variables held constant:

| | Effect on surplus 31 December 2019 N'000 | Effect on surplus 31 December 2018 N'000 |
|---|---|---|
| Increase/decrease in estimated cash flows | | |
| +10% | 265 | - |
| -10% | (265) | - |

**c) Credit risk exposure**

The table below contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised using the general model. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

**Staff Loans**

| | 2019 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL N'000 | Stage 2 Lifetime ECL N'000 | Stage 3 Lifetime ECL N'000 | Total N'000 |
| Gross EAD | 726,997 | - | 7,675 | 734,672 |
| Loss allowance | (122,196) | - | (4,660) | (126,856) |
| **Carrying amount** | 604,801 | - | 3,015 | 607,816 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL N'000 | Stage 2 Lifetime ECL N'000 | Stage 3 Lifetime ECL N'000 | Total N'000 |
| Gross EAD | 821,470 | - | 10,765 | 832,235 |
| Loss allowance | (151,709) | - | (15,874) | (167,583) |
| **Carrying amount** | 669,761 | - | (5,109) | 664,652 |

**Investment securities**

| | 2019 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Gross EAD | 16,540,680 | - | - | 16,540,680 |
| Loss allowance | (35,605) | - | - | (35,605) |
| **Carrying amount** | 16,505,075 | - | - | 16,505,075 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Gross EAD | 18,942,541 | - | - | 18,942,541 |
| Loss allowance | (35,052) | - | - | (35,052) |
| **Carrying amount** | 18,907,489 | - | - | 18,907,489 |

**Finance lease receivables**

| | 2019 N'000 |
|---|---|
| Gross EAD | 29,735 |
| Loss allowance | (2,650) |
| **Carrying amount** | **27,085** |

### 3.1.2 Concentration of risks of financial assets with credit risk exposure

***Industry sectors***

| **Group**<br>**At 31 December 2019 (N'000)** | **Other financial assets** | **Bank balances** | **Investment securities** | **Total** |
|---|---|---|---|---|
| Government | - | - | 16,505,075 | 16,505,075 |
| Financial services | - | 466,813 | - | 466,813 |
| Others | 838,122 | - | - | 838,122 |
| | **838,122** | **466,813** | **16,505,075** | **17,810,010** |

| **Commission**<br>**At 31 December 2019 (N'000)** | **Other financial assets** | **Bank balances** | **Investment securities** | **Total** |
|---|---|---|---|---|
| Government | - | - | 16,505,075 | 16,505,075 |
| Financial services | - | 466,792 | - | 466,792 |
| Others | 838,122 | - | - | 838,122 |
| | **838,122** | **466,792** | **16,505,075** | **17,809,989** |

| **Group**<br>**At 31 December 2018 (N'000)** | **Other financial assets** | **Bank balances** | **Investment securities** | **Total** |
|---|---|---|---|---|
| Government | - | - | 18,907,489 | 18,907,489 |
| Financial services | - | 581,939 | - | 581,939 |
| Others | 839,381 | - | - | 839,381 |
| | **839,381** | **581,939** | **18,907,489** | **20,328,809** |

| **Commission**<br>**At 31 December 2018 (N'000)** | **Other financial assets** | **Bank balances** | **Investment securities** | **Total** |
|---|---|---|---|---|
| Government | - | - | 18,907,489 | 18,907,489 |
| Financial services | - | 392,313 | - | 392,313 |
| Others | 839,381 | - | - | 839,381 |
| | **839,381** | **392,313** | **18,907,489** | **20,139,183** |

### 3.1.3 Credit quality of financial assets

The credit quality of our financial assets can be assessed by reference to external credit rating ( S&P). The risk of default is considered as low.

| | **Group** | | **Commission** | |
|---|---|---|---|---|
| | **31 December 2019 N'000** | **31 December 2018 N'000** | **31 December 2019 N'000** | **31 December 2018 N'000** |
| **(i) Investment securities** | | | | |
| B | 16,505,075 | 18,907,489 | 16,505,075 | 18,907,489 |
| | **16,505,075** | **18,907,489** | **16,505,075** | **18,907,489** |

| | **Group** | | **Commission** | |
|---|---|---|---|---|
| | **31 December 2019 N'000** | **31 December 2018 N'000** | **31 December 2019 N'000** | **31 December 2018 N'000** |
| **(ii) Bank balances** | | | | |
| B | 466,813 | 581,939 | 466,792 | 392,313 |
| NR | 851 | 1,128 | 49 | 325 |
| | **467,664** | **583,067** | **466,841** | **392,638** |

**The interpretation of the credit quality is as shown in the table below:**

| | |
|---|---|
| B | An obligation rated 'B' is more vulnerable to non-payment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation. |
| NR | This indicates that no rating has been requested, or that there is insufficient information on which to base a rating, or that S&P Global Ratings does not rate a particular obligation as a matter of policy. |

### 3.1.4 Maximum exposure to credit risk

The Group's maximum exposure to credit risk at 31 December 2019, is represented by the net carrying amounts of the financial assets set out in Note 3.1.1 above.

### 3.2 Liquidity risk

Liquidity risk is the risk that the Group does not have adequate assets to match its liabilities at all times. The liquidity risk exposure is related to our credit and investment risk profile. At 31 December 2019, management does not believe the current maturity profile of the Group lends itself to any material liquidity risk, taking into account the level of cash and bank deposits . The Group's bank deposits are able to be released at short notice when and if required.

3.2.1 The Group's approach to managing liquidity is to have sufficient funds to meet its liabilities, as and when due, without incurring undue losses or risking damage to the Group's reputation. The Group manages its liquidity risk by maintaining cash levels to fund short term operating expenses.

**Maturity analysis for financial liabilities**

**At 31 December 2019**

| **Group** | **Less than 3 months N'000** | **3 -12 months N'000** | **1 - 2 years N'000** | **Over 2 years N'000** | **Carrying amount N'000** |
|---|---|---|---|---|---|
| Accruals | 94,977 | - | - | - | 94,977 |
| Sundry and other creditors | 858,376 | - | - | - | 858,376 |
| Lease liabilities | 6,100 | 1,632 | 63,288 | 21,564 | 74,565 |
| **Total financial liabilities** | **959,453** | **1,632** | **63,288** | **21,564** | **1,027,918** |
| **Assets used to manage liquidity** | | | | | |
| Cash and cash equivalents | | | | | 467,664 |
| Investment securities | | | | | 16,505,075 |
| Staff loan and other receivables | | | | | 811,037 |
| Finance lease receivables | | | | | 27,085 |
| **Total financial assets** | | | | | **17,810,861** |
| **Gap** | | | | | **16,782,943** |

| **At 31 December 2018 Group** | **Less than 3 months N'000** | **3 -12 months N'000** | **1 - 2 years N'000** | **Over 2 years N'000** | **Carrying amount N'000** |
|---|---|---|---|---|---|
| Accruals | 32,017 | - | - | - | 32,017 |
| Sundry and other creditors | 1,272,614 | - | - | - | 1,272,614 |
| Lease liabilities | - | - | - | - | - |
| **Total financial liabilities** | **1,304,631** | - | - | - | **1,304,631** |
| **Assets used to manage liquidity** | | | | | |
| Cash and cash equivalents | | | | | 583,067 |
| Investment securities | | | | | 18,907,489 |
| Staff loan and other receivables | | | | | 839,381 |
| **Total financial assets** | | | | | **20,329,937** |
| **Gap** | | | | | **19,025,306** |

**At 31 December 2019**

| **Commission** | **Less than 3 months N'000** | **3 -12 months N'000** | **1 - 2 years N'000** | **Over 2 years N'000** | **Carrying amount N'000** |
|---|---|---|---|---|---|
| Accruals | 94,977 | - | - | - | 94,977 |
| Sundry and other creditors | 17,875,055 | - | - | - | 17,875,055 |
| Lease liabilities | 6,100 | 1,632 | 63,288 | 21,564 | 74,565 |
| **Total financial liabilities** | **17,976,132** | **1,632** | **63,288** | **21,564** | **18,044,597** |
| **Assets used to manage liquidity** | | | | | |
| Cash and cash equivalents | | | | | 466,841 |
| Investment securities | | | | | 16,505,075 |
| Staff loan and other receivables | | | | | 811,037 |
| Finance lease receivables | | | | | 27,085 |
| **Total financial assets** | | | | | **17,810,038** |
| **Gap** | | | | | **(234,559)** |

| **At 31 December 2018** **Commission** | **Less than 3 months N'000** | **3 -12 months N'000** | **1 - 2 years N'000** | **Over 2 years N'000** | **Carrying amount N'000** |
|---|---|---|---|---|---|
| Accruals | 26,250 | - | - | - | 26,250 |
| Sundry and other creditors | 18,242,020 | - | - | - | 18,242,020 |
| Lease liabilities | - | - | - | - | - |
| **Total financial liabilities** | 18,268,270 | - | - | - | **18,268,270** |
| **Assets used to manage liquidity** | | | | | |
| Cash and cash equivalents | | | | | 392,638 |
| Investment securities | | | | | 18,907,489 |
| Staff loan and other receivables | | | | | 839,381 |
| **Total financial assets** | | | | | **20,139,508** |
| **Gap** | | | | | **1,871,238** |

3.3 ***Market risk***

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates and foreign exchange rates.

3.3.1 **Foreign exchange risk**

Foreign exchange risk is the risk of adverse changes in currency exchange rates.

The Group does not have investment in foreign currency hence is not exposed to foreign exchange risk.

3.3.2 **Price risk**

The Group is not exposed to equity securities price risk because investment securities held are bonds classified as held to maturity on the balance sheet. Also, the Group is not exposed to commodity price risk.

3.3.3 **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Group invests in interest bearing financial instruments. The Group is exposed to the risk that the value of financial instruments will fluctuate due to changes in the prevailing market interest rate. The investment securities of the Group are fixed income securities which are held to maturity hence there would be no effect of fluctuation in interest rate.

3.4 **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure.

The Group capital is made up of capital fund and capital reserve fund.

The Group monitors capital on an ongoing basis so as to ensure that its capital reserves are adequate to fund its operations.

The Group's strategy is to maintain adequate capital reserves. However, there is no regulatory capital requirement.

3.5 **Fair value of financial assets and liabilities**

The financial instruments disclosed below are for financial assets not designated at fair value.

| **Group** | **At 31 December 2019** | | **At 31 December 2018** | |
|---|---|---|---|---|
| | **Carrying value 2019 N'000** | **Fair value 2019 N'000** | **Carrying value 2018 N'000** | **Fair value 2018 N'000** |
| **Financial assets** | | | | |
| Cash and bank balances | 467,664 | 467,664 | 583,067 | 583,067 |
| Debt securities | | | | |
| - Federal Government of Nigeria bonds and treasury bills | 16,505,075 | 16,239,900 | 18,907,489 | 17,942,818 |
| Staff loans | 607,991 | 740,388 | 664,652 | 1,036,494 |
| Other receivables | 203,046 | 203,046 | 174,729 | 174,729 |
| | **17,783,776** | **17,650,998** | **20,329,937** | **19,737,108** |
| **Financial liabilities** | | | | |
| Sundry and other creditors | 858,376 | 858,376 | 1,272,614 | 18,242,020 |
| Accruals | 94,977 | 94,977 | 32,017 | 26,250 |
| | **953,353** | **953,353** | **1,304,631** | **18,268,270** |

| **Commission** | **At 31 December 2019** Carrying value N'000 | Fair value N'000 | **At 31 December 2018** Carrying value N'000 | Fair value N'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and bank balances | 466,841 | 466,841 | 392,638 | 392,638 |
| Debt securities (amortised cost) | | | | |
| - Federal Government of Nigeria bonds and treasury bills | 16,505,075 | 16,239,900 | 18,907,489 | 17,942,818 |
| Staff loans | 607,991 | 740,388 | 664,652 | 1,036,494 |
| Other receivables | 203,046 | 203,046 | 174,729 | 174,729 |
| | **17,782,953** | **17,650,175** | **20,139,508** | **19,546,679** |
| **Financial liabilities** | | | | |
| Sundry and other creditors | 17,875,055 | 17,875,055 | 18,242,020 | 18,242,020 |
| Accruals | 94,977 | 94,977 | 26,250 | 26,250 |
| | **17,970,032** | **17,970,032** | **18,268,270** | **18,268,270** |

**4.1 Classification and measurement of financial instrument**

The classification of financial assets is shown below;

**a) Financial assets**

| **Group** | Measurement | Carrying amount 31 December 2019 N'000 | 31 December 2018 N'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank balances | Amortised cost | 467,664 | 583,067 |
| Staff loans and other receivables | Amortised cost | 811,037 | 839,381 |
| Investment securities | Amortised cost | 16,505,075 | 18,907,489 |

| **Commission** | Measurement | Carrying amount 31 December 2019 N'000 | 31 December 2018 N'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank balances | Amortised cost | 466,841 | 392,638 |
| Staff loans and other receivables | Amortised cost | 811,037 | 839,381 |
| Investment securities | Amortised cost | 16,505,075 | 18,907,489 |

**b) Financial liabilities**

All financial liabilities are classified at amortised cost (See note 23).

**4.2 Significant Increase in Credit Risk**

The Group has established a framework that consider qualitative, quantitative, and 'backstop' (30 days past due presumption) indicators to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:
- the risk of default on the exposure as at the reporting date; with
- the risk of default on the exposure as at the date of initial recognition

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. Modifying the contractual terms of a financial instrument may also affect this assessment.
Details of the qualitative, quantitative and backstop factors used to determine the significant increase in credit risk are highlighted below:

**i) Quantitative Criteria**

The use of quantitative criteria requires the Group to refresh its quantitative metrics at least annually. The Group adopted the following quantitative criteria for the purpose of assessing Significant Increase in Credit Risk (SICR), vis-à-vis stage allocation.

The Group monitors changes in external ratings of obligors to assess significant increase/decrease in credit risk. Evidence of Significant Increase in Credit Risk (SICR) depends on rating at initial recognition and the extent of movement (number of notches downgrade/upgrade) as at reporting date. The Group applies different notches movement across each rating grade as evidence of SICR. Generally, obligors with higher credit rating would require more notches downgrade to evidence SICR, when compared with obligors with lower credit rating. The logic is that PD exponentially increases with movement down the rating grades. For instance, while a one-notch movement is deemed significant for a financial instrument rated CCC at origination, a three-notch movement is deemed significant for an AAA rated financial instrument.

Below is a table of the quantitative criteria used in allocating stages to the financial instruments of the Group:

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| • Less than two (2) notches downgrade in the external rating of the obligor for financial instruments in investment grade for sovereign facilities and four (4) for others. | • Less than two (1) notches downgrade in the external rating of the obligor for financial instruments in non-investment grade for sovereign facilities and two (2) for others. | • All facilities with a rating of D are grouped in stage 3 |

**ii) Qualitative Indicators:**

The Group uses a wide range of qualitative criteria for staging purposes, leveraging on IFRS 9 recommendations and a range of other factors. The Group shall override the stage allocation using quantitative assessment if the financial instrument meets the qualitative criteria for a different impairment stage as detailed below.

Below is a table of the qualitative criteria used in allocating stages to the financial instruments of the Group:

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| • The financial instrument meets CBN low risk exception criteria i.e. "risk free and gilt edged"<br>• All financial instruments at inception will be in stage 1 except if purchased originated as credit impaired.<br>• The financial instrument has not had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:<br>- An actual or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date does not result in a significant change in the borrower's ability to meet its obligations relative to the origination date.<br>- No expectation of forbearance or restructuring due to financial difficulties.<br>- No evidence that full repayment of interest and principal will require the realization of collaterals or other form of support.<br>- Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has not change materially from the origination date. | • The financial instrument has had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:<br>- Expectation of forbearance or restructuring due to financial difficulties.<br>- Evidence that full repayment of interest and principal will require the realization collaterals or other form of support.<br>- Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has not change materially from the origination date. | • Financial instruments that are purchased or originated as credit impaired.<br>• The financial instrument has objective evidence of impairment at the reporting date as evidenced by but not limited the following:<br>- Disappearance of an active market the financial instrument because of financial difficulties.<br>- The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses<br>- Breach of covenants that are deemed default events.<br>- Other qualitative factors representing default such as in the CBN's prudential guideline definition of default. |

**iii) Backstop:**

The Group uses the backstop indicator otherwise known as "30 days past due presumption" to assess significant decrease/increase in credit risk. Evidence of SICR depends on the financial instrument's performance status and the number of days for which contractual payments are past due.

The thresholds for these quantitative criteria will be reviewed by the Group on an annual basis.

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| • The financial instrument is performing with less than 30 days past due on any contractual payment. | • The financial instrument is performing with 30 or more days but less than 90 days past due on any contractual payment; except if the Group can rebut that the "30 days past due" presumption does not represent significant increase in credit risk for that particular financial instrument. | • The financial instrument is 90 or more days past due on contractual payments; except if the Group can rebut that the "90 days past due" presumption does not represent a default event for that particular financial instrument. |

**4.3 Expected Credit Loss Impairment Parameters**

The parameters used to determine impairment for staff loans, investment securities and finance lease receivables are shown below.

| | Staff loans | Investment securities |
|---|---|---|
| Probability of Default (PD) | The credit rating of staff was used to reflect probability of default on staff loans. This was supplemented with external data from Fitch Global Corporate Default rates to arrive at a 12 month PD and lifetime PD for stage 1, stage 2 and stage 3 receivables. The PD for stage 3 is 100%. | The rating of the Federal Government of Nigeria was used to reflect probability of default on debt securities. This was supplemented with external data from S&P sovereign term structure to arrive at a 12 month PD and lifetime PD for stage 1, stage 2 and stage 3 investment securities. The PD for stage 3 is 100%. |
| Loss Given Default (LGD) | The LGD was determined using the average recovery rate for Moody's subordinated bonds. This was adjusted with the federal reserve formulae to reflect downturn LGD. | The LGD was determined using the weighted recovery rates on defaulted sovereign bonds from 1998 to 2016. This was adjusted with the federal reserve formulae to reflect downturn LGD. |
| Exposure at Default (EAD | The EAD is the maximum exposure of the receivable to credit risk. | The EAD is the maximum exposure of the receivable to credit risk. |
| Macroeconomic indicators | The Nigerian inflation rate and crude oil price were identified as economic variables affecting the credit risk. | The Nigerian inflation rate and Gross Domestic Product (GDP) were identified as economic variables affecting the credit risk. |
| Probability weightings | Historical data on GDP for the last 44 quarters was used to determine base, optimistic and downturn scenarios with a 80% confidence interval. 82%, 2% and 16% of historical inflation and interest growth rates observation fall within acceptable bounds, periods of boom and periods of downturn respectively. | Historical data on GDP for the last 44 quarters was used to determine base, optimistic and downturn scenarios with a 80% confidence interval. 82%, 2% and 16% of historical inflation and interest growth rates observation fall within acceptable bounds, periods of boom and periods of downturn respectively. |

**Loss Allowance**

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

**a) Staff loans**

Staff loans represents outstanding receivables from staff. The Group applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for staff loans.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

| **Staff Loans** | Stage 1 12-Month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased Credit Impaired | Total |
|---|---|---|---|---|---|
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Loss allowance as at 1 January 2019 | 151,709 | - | 15,874 | - | 167,583 |
| **Movements with P&L impact** | | | | | |
| Transfers: | | | | | |
| Unwind of discount(a) | - | - | - | - | - |
| Total net P&L charge during the period | (29,513) | - | (11,214) | - | (40,727) |
| Loss allowance as at 31 December 2019 | 122,196 | - | 4,660 | - | 126,856 |

The following table further explains changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

| **Staff Loans** | Stage 1 12-Month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased Credit Impaired | Total |
|---|---|---|---|---|---|
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Gross carrying amount as at 1 January 2019 | 821,470 | - | 264 | - | 821,734 |
| Transfers: | | | | | |
| Financial assets derecognised during the period other than write-offs | (216,669) | - | 2,751 | - | (213,918) |
| New financial assets originated or purchased | - | - | - | - | - |
| Write-offs | - | - | - | - | - |
| FX and other movements | - | - | - | - | - |
| **Gross carrying amount as at 31 December 2019** | 604,801 | - | 3,015 | - | 607,816 |

**b) Investment securities**

Investment securities represents the Group's investment in federal government bonds and treasury bills. The Group applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for investment securities.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

| **Investment securities** | Stage 1 12-Month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased Credit Impaired | Total |
|---|---|---|---|---|---|
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Loss allowance as at 1 January 2019 | 35,052 | - | - | - | 35,052 |
| Movements with P&L impact | | | | | |
| Transfers: | | | | | |
| Unwind of discount(a) | - | - | - | - | - |
| Total net P&L charge during the period | 553 | - | - | - | 553 |
| Loss allowance as at 31 December 2019 | 35,605 | - | - | - | 35,605 |

The following table further explains changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

| **Investment securities** | Stage 1 | Stage 2 | Stage 3 | Purchased Credit Impaired | Total |
|---|---|---|---|---|---|
| | 12-Month ECL | Lifetime ECL | Lifetime ECL | | |
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Gross carrying amount as at 1 January 2019 | 18,942,541 | - | - | - | 18,942,541 |
| Transfers: | | | | | |
| Financial assets derecognised during the period other than write-offs | (2,300,000) | - | - | - | (2,300,000) |
| New financial assets originated or purchased | (101,861) | - | - | - | (101,861) |
| Write-offs | - | - | - | - | - |
| FX and other movements | - | - | - | - | - |
| **Gross carrying amount as at 31 December 2019** | 16,540,680 | - | - | - | 16,540,680 |

**c) Finance lease receivables**

Investment securities represents the Group's investment in federal government bonds and treasury bills. The Group applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for investment securities.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

| **Finance lease receivables** | **2019** |
|---|---|
| | **N'000** |
| Loss allowance as at 1 January 2019 | - |
| Movements with P&L impact | |
| Transfers: | |
| Unwind of discount(a) | - |
| Total net P&L charge during the period | 2,650 |
| Loss allowance as at 31 December 2019 | 2,650 |

The following table further explains changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

| **Finance lease receivables** | **2019** |
|---|---|
| | **N'000** |
| Gross carrying amount as at 1 January 2019 | 29,735 |
| Transfers: | |
| Financial assets derecognised during the period other than write-offs | - |
| New financial assets originated or purchased | - |
| Write-offs | - |
| FX and other movements | - |
| **Gross carrying amount as at 31 December 2019** | 29,735 |

| | Group | | Commission | |
|---|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| | **N '000** | **N '000** | **N '000** | **N '000** |
| **5 Fee income from operations** | | | | |
| Market transaction fees | 2,841,950 | 3,496,694 | 2,841,950 | 3,496,694 |
| Registration of securities | | | | |
| - Bonds | 297,984 | 268,750 | 297,984 | 268,750 |
| - Equities | 459,470 | 319,549 | 459,470 | 319,549 |
| - Right issues | 301,490 | 23,922 | 301,490 | 23,922 |
| - Bonus shares | 4,025 | 5,225 | 4,025 | 5,225 |
| Registration of operators | 229,913 | 143,095 | 229,913 | 143,095 |
| Penalties and other transaction fees | 1,770,230 | 1,216,242 | 1,770,230 | 1,216,242 |
| | 5,905,062 | 5,473,477 | 5,905,062 | 5,473,477 |
| **6 Interest income** | | | | |
| Investment securities - Treasury bills | 1,947,697 | 2,076,246 | 1,947,697 | 2,076,246 |
| Investment securities - Bonds | 448,406 | 469,680 | 448,406 | 469,680 |
| Staff loans | 28,044 | 15,987 | 28,044 | 15,987 |
| | 2,424,147 | 2,561,913 | 2,424,147 | 2,561,913 |
| **7 Other income** | | | | |
| Workshop/training fees | 52,251 | 70,378 | - | - |
| Bad debt recovered | 9,510 | - | 9,510 | - |
| Other receipts from capital market opertors | 15,676 | - | 15,676 | - |
| Other Liabilities no longer required | 291,272 | 58,464 | 291,272 | 58,464 |
| | 368,709 | 128,842 | 316,458 | 58,464 |

**8 Finance income on leases**

This note provides information for leases where the Group is a lessor. The Group has sub-let its car park which is a leased car park. They are classified as a finance lease because it is for a substantial period of the remaining term of the head lease.

*Finance lease*

| | | | | |
|---|---|---|---|---|
| Finance income on the net investment in the lease | 4,004 | - | 4,004 | - |
| | 4,004 | - | 4,004 | - |
| **9 Employee benefit expense** | | | | |
| Wages and salaries | 9,118,992 | 5,889,177 | 9,118,992 | 5,889,177 |
| Other staff allowances | 132,170 | 89,488 | 132,170 | 89,488 |
| Pension costs: | | | | |
| - Defined contribution plan | 774,539 | 437,852 | 774,539 | 437,852 |
| - Defined benefit plan (Note 26) | 5,308,608 | 44,250 | 5,308,608 | 44,250 |
| | 15,334,309 | 6,460,767 | 15,334,309 | 6,460,767 |
| **10 Depreciation and amortisation expenses** | | | | |
| Depreciation of property and equipment (note 14) | 200,707 | 240,129 | 189,019 | 228,837 |
| Depreciation of right of use assets (note 15) | 10,063 | - | 10,063 | - |
| Amortisation of intangible assets (note 16) | 30,821 | 30,454 | 30,821 | 30,454 |
| | 241,591 | 270,583 | 229,903 | 259,291 |
| **11 Other operating expense** | | | | |
| Travelling expense | 687,627 | 502,156 | 687,113 | 491,994 |
| Maintenance costs | 310,298 | 214,074 | 263,020 | 192,851 |
| Insurance | 47,516 | 194,857 | 45,817 | 191,460 |
| Training and capacity building | 371,027 | 244,509 | 366,147 | 200,674 |
| Fuel | 113,363 | 93,791 | 96,286 | 79,586 |
| Rates | 89,031 | 100,815 | 81,657 | 91,334 |
| Printing, stationery and subscriptions | 122,926 | 81,788 | 120,038 | 79,325 |
| Donations | 12,242 | 17,316 | 12,242 | 17,316 |
| Information technology expenses | 282,925 | 161,471 | 275,434 | 157,537 |
| Meeting expenses | 48,578 | 60,977 | 47,648 | 60,535 |
| Professional fees | 29,253 | 38,011 | 28,878 | 38,011 |
| Capital market development expenses | 109,319 | 320,542 | 25,119 | 20,083 |
| Administrative expenses | 133,024 | 125,967 | 132,824 | 125,967 |
| Board members' compensation, allowances and expenses | 18,382 | 4,853 | 16,607 | - |
| Audit fees | 34,500 | 28,000 | 31,500 | 25,000 |
| Legal fees | 75,624 | 225,487 | 75,624 | 225,487 |
| Other operating expenses | 86,025 | 18,710 | 84,140 | 17,297 |
| | 2,571,660 | 2,433,324 | 2,390,094 | 2,014,457 |
| **12 Net impairment on financial assets** | | | | |
| Impairment on staff loans | (40,727) | (11,057) | (40,727) | (11,057) |
| Impairment on investment securities | 553 | 9,795 | 553 | 9,795 |
| Impairment on finance lease receivables | 2,650 | - | 2,650 | - |
| | (37,524) | (1,262) | (37,524) | (1,262) |
| **13 Finance expense on leases** | | | | |
| Interest expense (included in finance expenses on lease) | 10,538 | - | 10,538 | - |
| | 10,538 | - | 10,538 | - |

**Group**

**14 Property and equipment**

| | Land | Buildings | Office furniture, fittings and equipment | Computer hardware | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| **Cost** | | | | | | | |
| **At 1 January 2018** | 801,846 | 3,070,652 | 1,478,781 | 795,701 | 578,567 | 5,805 | 6,731,352 |
| Additions | - | - | 22,371 | 30,454 | - | - | 52,825 |
| **At 31 December 2018** | 801,846 | 3,070,652 | 1,501,152 | 826,155 | 578,567 | 5,805 | 6,784,177 |
| **At 1 January 2019** | 801,846 | 3,070,652 | 1,501,152 | 826,155 | 578,567 | 5,805 | 6,784,177 |
| Additions | - | 15,194 | 73,016 | 81,743 | 883 | - | 170,836 |
| **At 31 December 2019** | 801,846 | 3,085,846 | 1,574,168 | 907,898 | 579,450 | 5,805 | 6,955,013 |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2018** | - | 959,451 | 1,326,579 | 661,816 | 540,373 | - | 3,488,219 |
| Charge for the year | - | 76,766 | 77,461 | 56,489 | 29,413 | - | 240,129 |
| **At 31 December 2018** | - | 1,036,217 | 1,404,040 | 718,305 | 569,786 | - | 3,728,348 |
| **At 1 January 2019** | - | 1,036,217 | 1,404,040 | 718,305 | 569,786 | - | 3,728,348 |
| Charge for the year | - | 76,927 | 58,052 | 59,357 | 6,371 | - | 200,707 |
| **At 31 December 2019** | - | 1,113,144 | 1,462,092 | 777,662 | 576,157 | - | 3,929,055 |
| **Net book amount at 31 December 2018** | 801,846 | 2,034,435 | 97,112 | 107,850 | 8,781 | 5,805 | 3,055,829 |
| **Net book amount at 31 December 2019** | 801,846 | 1,972,702 | 112,076 | 130,236 | 3,293 | 5,805 | 3,025,958 |

**Commission**

**14 Property and equipment**

| | Land | Buildings | Office furniture, fittings and equipment | IT hardware | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| **Cost** | | | | | | | |
| **At 1 January 2018** | 801,846 | 3,070,652 | 1,460,754 | 793,401 | 559,969 | 5,805 | 6,692,427 |
| Additions | - | - | 22,231 | 30,453 | - | - | 52,684 |
| **At 31 December 2018** | 801,846 | 3,070,652 | 1,482,985 | 823,854 | 559,969 | 5,805 | 6,745,111 |
| **At 1 January 2019** | 801,846 | 3,070,652 | 1,482,985 | 823,854 | 559,969 | 5,805 | 6,745,111 |
| Additions | - | 15,194 | 64,064 | 81,743 | 883 | - | 161,884 |
| **At 31 December 2019** | 801,846 | 3,085,846 | 1,547,049 | 905,597 | 560,852 | 5,805 | 6,906,995 |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2018** | - | 959,451 | 1,325,166 | 661,624 | 536,757 | - | 3,482,998 |
| Charge for the year | - | 76,766 | 72,945 | 55,914 | 23,212 | - | 228,837 |
| **At 31 December 2018** | - | 1,036,217 | 1,398,111 | 717,538 | 559,969 | - | 3,711,835 |
| **At 1 January 2019** | - | 1,036,217 | 1,398,111 | 717,538 | 559,969 | - | 3,711,835 |
| Charge for the year | - | 76,927 | 53,138 | 58,782 | 172 | - | 189,019 |
| **At 31 December 2019** | - | 1,113,144 | 1,451,249 | 776,320 | 560,141 | - | 3,900,854 |
| **Net book amount at 31 December 2018** | 801,846 | 2,034,435 | 84,874 | 106,316 | - | 5,805 | 3,033,276 |
| **Net book amount at 31 December 2019** | 801,846 | 1,972,702 | 95,800 | 129,277 | 711 | 5,805 | 3,006,141 |

**Group and Commission**

**15 Right of use assets***

| | Building N'000 | Total N'000 |
|---|---|---|
| Opening balance as at 1 Jan 2019 | - | - |
| IFRS 16 transition adjustment | 69,193 | 69,193 |
| Restated opening balance as at 1 Jan 2019 | 69,193 | 69,193 |
| Additions during the year | - | - |
| Closing balance | 69,193 | 69,193 |
| *Depreciation* | | |
| Opening balance as at 1 January 2019 | - | - |
| Charge for the year | 10,063 | 10,063 |
| Closing balance | 10,063 | 10,063 |
| Net book value as at 31 Dec 2019 | 59,130 | 59,130 |

***See Note 23 for details on lease liabilities***

**16 Intangible assets**

| | Group 31 December 2019 N' 000 | Group 31 December 2018 N' 000 | Commission 31 December 2019 N' 000 | Commission 31 December 2018 N' 000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 665,509 | 656,461 | 665,509 | 656,461 |
| Additions | - | 9,048 | - | 9,048 |
| **Closing balance** | 665,509 | 665,509 | 665,509 | 665,509 |
| **Accumulated amortisation** | | | | |
| Opening balance | 589,046 | 558,592 | 589,046 | 558,592 |
| Amortisation charge | 30,821 | 30,454 | 30,821 | 30,454 |
| **Closing balance** | 619,867 | 589,046 | 619,867 | 589,046 |
| **Net book amount** | 45,642 | 76,463 | 45,642 | 76,463 |

Intangible assets are IT Software which consists of capitalised development costs being an internally generated intangible asset.
There was no addition to the intangible assets during the year. The Group estimates the useful life of the software to be at least four years based on the expected technical obsolescence of such assets. The most recent capitalized development cost was in 2018 N9.05m with a carrying amount of N4.52m and remaining amortization period of three years.

**17 Interests in structured entities**

| | Group 2019 | Group 2018 | Commission 2019 | Commission 2018 |
|---|---|---|---|---|
| National Investor Protection Fund | - | - | 5,000,000 | 5,000,000 |
| Nigerian Capital Market Development Fund | - | - | 5,000,000 | 5,000,000 |
| Nigeria Capital Market Institute | - | - | 5,000,000 | 5,000,000 |
| | - | - | 15,000,000 | 15,000,000 |

Details of the Commission's relationship with these entities are provided in note 31.3.

**18 Staff loans and other receivables**

| | Group 2019 | Group 2018 | Commission 2019 | Commission 2018 |
|---|---|---|---|---|
| Staff loans | 734,847 | 832,235 | 734,847 | 832,235 |
| Impairment of staff loans | (126,856) | (167,583) | (126,856) | (167,583) |
| | 607,991 | 664,652 | 607,991 | 664,652 |
| **Other receivables** | | | | |
| Receivables from penalties and fines | - | 10,451 | - | 10,451 |
| Receivables from fee income | 213,427 | 188,166 | 213,427 | 188,166 |
| Sundry debtors | 23,191 | 28,922 | 20,504 | 26,235 |
| Funds held on behalf of investors | 122,433 | 112,706 | 122,433 | 112,706 |
| Impairment of receivables from fee income | (136,779) | (136,779) | (136,779) | (136,779) |
| Impairment of sundry debtors | (19,226) | (28,736) | (16,539) | (26,049) |
| | 203,046 | 174,729 | 203,046 | 174,729 |
| | 811,037 | 839,381 | 811,037 | 839,381 |
| **Movement in impairment of staff loans** | | | | |
| Balance, beginning of year | 167,583 | 50,328 | 167,583 | 50,328 |
| Impact of IFRS 9 adoption on opening balance | - | 128,312 | - | 128,312 |
| Charges/write back for the year | (40,727) | (11,057) | (40,727) | (11,057) |
| Balance, end of year | 126,856 | 167,583 | 126,856 | 167,583 |
| **Movement in impairment of sundry debtors** | | | | |
| Balance, beginning of year | 28,736 | 28,736 | 26,049 | 26,049 |
| Write back for the year | (9,510) | - | (9,510) | - |
| Balance, end of year | 19,226 | 28,736 | 16,539 | 26,049 |

| | | | | | |
|---|---|---|---|---|---|
| | **Movement in impairment of receivables from fee income** | | | | |
| | Balance, beginning of year | 136,779 | 136,779 | 136,779 | 136,779 |
| | Balance, end of year | **136,779** | **136,779** | **136,779** | **136,779** |
| | **Writeback to statement of profit or loss** | | | | |
| | Impairment of staff loans | (40,727) | (11,057) | (40,727) | (11,057) |
| | Impairment of sundry debtors | (9,510) | - | (9,510) | - |
| | | **(50,237)** | **(11,057)** | **(50,237)** | **(11,057)** |
| | **Classification of staff loans and other receivables** | | | | |
| | Current | 203,046 | 174,729 | 203,046 | 174,729 |
| | Non-current | 607,991 | 664,652 | 607,991 | 664,652 |
| | | **811,037** | **839,381** | **811,037** | **839,381** |

| | | Group | | Commission | |
|---|---|---|---|---|---|
| **19** | **Investment securities** | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| | | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| | Debt securities at amortised cost | 16,540,680 | 18,942,541 | 16,540,680 | 18,942,541 |
| | Less impairment allowance on debt securities | (35,605) | (35,052) | (35,605) | (35,052) |
| | | **16,505,075** | **18,907,489** | **16,505,075** | **18,907,489** |
| **19.1** | **Debt securities at amortised cost** | | | | |
| | - Federal Government of Nigeria Bonds | 4,044,466 | 4,663,059 | 4,044,466 | 4,663,059 |
| | - Nigeria Treasury bills | 12,496,214 | 14,279,482 | 12,496,214 | 14,279,482 |
| | | **16,540,680** | **18,942,541** | **16,540,680** | **18,942,541** |
| **19.2** | **Movement in impairment of investment securities** | | | | |
| | Balance, beginning of year | 35,052 | - | 35,052 | - |
| | Impact of IFRS 9 adoption on opening balance | - | 25,257 | - | 25,257 |
| | Charge for the year | 553 | 9,795 | 553 | 9,795 |
| | Balance, end of year | **35,605** | **35,052** | **35,605** | **35,052** |
| | **Classification of Investment securities** | | | | |
| | Current | 12,493,045 | 14,886,346 | 12,493,045 | 14,886,346 |
| | Non-current | 4,012,030 | 4,021,143 | 4,012,030 | 4,021,143 |
| | | **16,505,075** | **18,907,489** | **16,505,075** | **18,907,489** |
| **20** | **Prepayments** | | | | |
| | Prepaid staff allowance | 1,215,313 | 2,048,172 | 1,215,313 | 2,046,473 |
| | Prepaid office rent | - | 23,481 | - | 23,481 |
| | Prepaid motor vehicle allowance | 310,807 | 588,279 | 310,807 | 588,279 |
| | | **1,526,120** | **2,659,932** | **1,526,120** | **2,658,233** |
| | **Classification of prepayments** | | | | |
| | Current | 1,100,760 | 1,588,621 | 1,100,760 | 1,586,922 |
| | Non-current | 425,360 | 1,071,311 | 425,360 | 1,071,311 |
| | | **1,526,120** | **2,659,932** | **1,526,120** | **2,658,233** |

**21** **Finance lease receivables**

These are receivables that resulted from the recognition and measurement of sublease of the Group's leased car park upon adoption of IFRS 16. The sublease is classified as a finance lease as it takes a substantial period of the remaining term of the head lease.

| | | | | |
|---|---|---|---|---|
| Finance lease receivables | 29,735 | - | 29,735 | - |
| Impairment of finance lease receivables | (2,650) | - | (2,650) | - |
| | 27,085 | - | 27,085 | - |
| Opening balance as at 1 January 2019 | - | - | - | - |
| IFRS 16 transition adjustment | 32,547 | - | 32,547 | - |
| Restated opening balance as at 1 Jan 2019 | 32,547 | - | 32,547 | - |
| Additions | - | - | - | - |
| Interest income | 4,004 | - | 4,004 | - |
| Payments received during the period | (6,816) | - | (6,816) | - |
| Closing balance as at 31 December 2019 | 29,735 | - | 29,735 | - |
| **Movement in impairment of finance lease receivables** | | | | |
| Balance, beginning of year | - | - | - | - |
| Charge for the year | 2,650 | - | 2,650 | |
| Balance, end of year | **2,650** | - | **2,650** | - |
| Current | 4,381 | - | 4,381 | - |
| Non-current | 22,704 | - | 22,704 | - |
| | **27,085** | - | **27,085** | - |

**Maturity analysis – contractual undiscounted cash flows (Leases)**

| | N'000 |
|---|---|
| Next 12 months | 7,839 |
| 2 years | 7,839 |
| 3 years | 7,839 |
| 4 years | 7,839 |
| 5 years | 7,839 |
| Total undiscounted finance lease receivables at 31 December 2019 | **39,195** |
| Unearned finance income | (9,460) |
| Finance lease receiavables at 31 December 2019 | **29,735** |

**22 Cash and bank balances**

| | | | | |
|---|---|---|---|---|
| Cash in hand | 851 | 1,128 | 49 | 325 |
| Balances held with banks in Nigeria | 466,813 | 581,939 | 466,792 | 392,313 |
| | **467,664** | **583,067** | **466,841** | **392,638** |

For cash flow purposes, cash and cash equivalents include cash in hand, cash in current accounts, money market placements including treasury bills with less than three months from acquisition date.

| | Group | | Commission | |
|---|---|---|---|---|
| | 31 December 2019 N' 000 | 31 December 2018 N' 000 | 31 December 2019 N' 000 | 31 December 2018 N' 000 |
| **Cash and cash equivalents** | | | | |
| Cash in hand | 851 | 1,128 | 49 | 325 |
| Balances held with banks in Nigeria | 466,813 | 581,939 | 466,792 | 392,313 |
| | **467,664** | **583,067** | **466,841** | **392,638** |
| **23 Lease liabilities*** | | | | |
| These are liabilities that accrued from the recognition and measurement of the Group's leases upon adoption of IFRS 16. | | | | |
| Opening balance as at 1 January 2019 | - | - | - | - |
| IFRS 16 transition adjustment | 71,760 | - | 71,760 | - |
| Restated opening balance as at 1 Jan 2019 | 71,760 | - | 71,760 | - |
| Additions | - | - | - | - |
| Interest expense | 10,538 | - | 10,538 | - |
| Payments made during the period | (7,733) | - | (7,733) | - |
| Closing balance as at 31 December 2019 | 74,565 | - | 74,565 | - |
| Current | 4,399 | - | 4,399 | - |
| Non-current | 70,166 | - | 70,166 | - |
| | **74,565** | - | **74,565** | - |
| ***See Note 15 for details on right of use assets*** | | | | |
| **24 Account payables and other liabilities** | | | | |
| Account payables and other liabilities comprise accruals, sundry and other creditors as shown below; | | | | |
| **24(a) Accruals** | | | | |
| Accruals | 94,977 | 32,017 | 94,977 | 26,250 |
| | **94,977** | **32,017** | **94,977** | **26,250** |
| **24(b) Sundry and other creditors** | | | | |
| Accounts payable | 320,217 | 776,927 | 320,217 | 776,927 |
| Sundry creditors | 538,159 | 495,687 | 531,276 | 492,596 |
| Payable to related entities | - | - | 17,023,562 | 16,972,497 |
| | 858,376 | 1,272,614 | 17,875,055 | 18,242,020 |
| **Non financial liabilities:** | | | | |
| WHT payable | 862 | 6,887 | 862 | 6,887 |
| PAYE payable | 11,774 | 14,331 | 11,774 | 14,331 |
| VAT payable | 3,251 | 6,008 | 3,251 | 6,008 |
| | **874,263** | **1,299,840** | **17,890,942** | **18,269,246** |
| **24(c) Payable to Consolidated Reserve Fund** | | | | |
| . At beginning of the period | 760,872 | 525,342 | 760,872 | 525,342 |
| Transfers from statement of changes in equity | 35,641 | 265,530 | 35,641 | 265,530 |
| Payment during the year | (86,836) | (30,000) | (86,836) | (30,000) |
| At end of period | **709,677** | **760,872** | **709,677** | **760,872** |

Payable to Consolidated Revenue Fund account represents the amount payable to the Federal Government of Nigeria in line with the Fiscal Responsibility Act. This transfer represents 80% of the net operating surplus over operating expenses for the year.

**25 Provisions**

| | | | | |
|---|---|---|---|---|
| Provisions | 535,739 | 801,540 | 535,739 | 801,540 |
| | **535,739** | **801,540** | **535,739** | **801,540** |

Provisions relate to recognition of liability with respect to litigations- three cases (2018: three cases) involving the Commission which judgement has been delivered against the Commission. However, the Commission is in the process of appeal.

## 26 Retirement benefit obligations

***Defined contribution plan***

The Commission and its employees make a minimum joint contribution of 18% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. This is in line with section 4 of the Pension Reform Act 2014.

***Defined benefit plan***

The Commission operates a defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.
Re-measurements, comprising of actuarial gains and losses, the effect of any asset ceiling and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of profit or loss in subsequent periods.

Funding policy: The Commission is obliged to make contributions into the plan assets to the extent that the net position is a deficit.

The benefit payment for employees of the Commission are from trustee-administered funds. Responsibility for governance of the plan-including investment decisions and contribution schedules-lies jointly with the Board of Trustees. The plan is regulated by the group's specific policies.

An independent actuarial valuation is performed annually by Alexander Forbes Consulting Actuaries Nigeria Limited(FRC/2012/0000000000504) using the projected unit credit basis as prescribed by IAS 19 to determine the liability at reporting date for which the plan asset is funded to meet such obligation.

***Legacy fund***

Legacy fund represents funds invested by the Commission on behalf of Pension Fund under the erstwhile defined benefit pension scheme in 2004. The fund is used for the payment of monthly pension of retirees under the defined benefit scheme. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives.

***Gratuity scheme***

The gratuity scheme for eligible staff who serve the Commission for at least five (5) years and the amount is based on the number of years in service. The level of benefits provided depends on the member's length of service at exit from the Commission.

***Executive management scheme***

The scheme helps to determine the defined benefit cost for the 2019 financial year and the amount needed to be recognized in the statement of financial position in respect of the Commission's liability towards its executive management for the year.

The table below outlines where the Group's defined benefit plan amounts and activity

| | **Group** | | **Commission** | |
|---|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| Statement of financial position asset/(liability) for: | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| Net defined benefit (liability)/plan asset | **(5,886,003)** | **88,022** | **(5,886,003)** | **88,022** |

**Income statement charge for:**

| **31 December 2019** | **Legacy fund** | **Gratuity scheme** | **Executive management scheme** | **Total** |
|---|---|---|---|---|
| | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| Current service cost | 8,970 | 631,226 | 48,897 | 689,093 |
| Net interest (income)/cost | (73,415) | (551,120) | 36,119 | (588,416) |
| Past service cost | - | 5,207,931 | - | 5,207,931 |
| | **(64,445)** | **5,288,037** | **85,016** | **5,308,608** |
| **31 December 2018** | | | | |
| | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| Current service cost | 14,710 | - | 42,695 | 57,405 |
| Net interest (income)/cost | (35,550) | - | 22,395 | (13,155) |
| | **(20,840)** | - | **65,090** | **44,250** |

**Recognized in other comprehensive income**

| | | | | |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| Remeasurement gains/(losses) are recognised in the statement of other comprehensive income. | | | | |
| Remeasurement losses/(gains) | 653,525 | (1,098,753) | 20,862 | (424,366) |
| | **653,525** | **(1,098,753)** | **20,862** | **(424,366)** |
| **31 December 2018** | | | | |
| Remeasurement (gains)/losses | 12,518 | - | 4 | 12,522 |
| | **12,518** | - | **4** | **12,522** |

As at the last valuation date - 31 December 2019 - the present value of defined benefit obligation was comprised of retired and active employees. Funding levels are monitored on an annual basis and the current agreed contribution rate is 100% of benefit liability. The next annual valuation is due to be completed on 31 December 2020. Expected contributions to legacy fund, gratuity and executive management schemes for the year ending 31 December 2020 are N10.03million, N344.01million and N307.11million respectively. The salary weighted average age and past service for the schemes are shown below;

| | Legacy fund | Gratuity scheme | Executive management scheme |
|---|---|---|---|
| **31 December 2019** | | | |
| Pension/salary weighted average age | 64 years | 46.5 years | 57 years |
| Salary weighted past service | - | 8.6 years | 4.6 years |
| **31 December 2018** | | | |
| Pension/salary weighted average age | 62.9 years | 46.7 years | 56 years |
| Salary weighted past service | - | 8 years | 3.6 years |

The expected maturity analysis of undiscounted pension benefits is as follows:

| | Up to one year | Between 1-2 years | Between 2-5 years | Total |
|---|---|---|---|---|
| | N' 000 | N' 000 | N' 000 | N' 000 |
| **31 December 2019** | | | | |
| Defined benefit obligation | (838,745) | (838,745) | (6,544,149) | (8,221,639) |
| **Total** | **(838,745)** | **(838,745)** | **(6,544,149)** | **(8,221,639)** |
| **31 December 2018** | | | | |
| Defined benefit obligation | (20,189) | (20,189) | (2,119,948) | (2,160,326) |
| **Total** | **(20,189)** | **(20,189)** | **(2,119,948)** | **(2,160,326)** |

**The amounts recognised in the statement of financial position are determined as follows:**

| | Group 31 December 2019 | Group 31 December 2018 | Commission 31 December 2019 | Commission 31 December 2018 |
|---|---|---|---|---|
| | N' 000 | N' 000 | N' 000 | N' 000 |
| Defined benefit obligation | (8,221,639) | (2,160,326) | (8,221,639) | (2,160,326) |
| Fair value of plan assets | 2,335,636 | 2,248,348 | 2,335,636 | 2,248,348 |
| | **(5,886,003)** | **88,022** | **(5,886,003)** | **88,022** |

**31 December 2019**

**26 (a) The movement in the defined benefit obligation is as follows:**

| | Legacy fund | Gratuity scheme | Executive management scheme | Total |
|---|---|---|---|---|
| | N' 000 | N' 000 | N' 000 | N' 000 |
| Opening defined benefit obligation | 1,983,482 | 5,258,407 | 176,844 | 7,418,733 |
| Current service cost | 8,970 | 631,226 | 48,897 | 689,093 |
| Interest cost | 279,795 | 903,109 | 36,119 | 1,219,023 |
| Remeasurement losses/(gains) | 828,371 | (1,106,728) | 20,862 | (257,495) |
| Expenses | (8,970) | - | - | (8,970) |
| Benefits paid | (491,244) | (347,501) | - | (838,745) |
| | **2,600,404** | **5,338,513** | **282,722** | **8,221,639** |

**31 December 2018**

**The movement in the defined benefit obligation is as follows:**

| | Legacy fund | Gratuity scheme | Executive management scheme | Total |
|---|---|---|---|---|
| Opening defined benefit obligation | 2,146,204 | - | 111,750 | 2,257,954 |
| Current service cost | 14,710 | - | 42,695 | 57,405 |
| Interest cost | 290,553 | - | 22,395 | 312,948 |
| Remeasurement losses/(gains) | (113,968) | - | 4 | (113,964) |
| Expenses | (14,710) | - | - | (14,710) |
| Benefits paid | (339,307) | - | - | (339,307) |
| | **1,983,482** | - | **176,844** | **2,160,326** |

The loss on the defined benefit obligation is largely as a result of the following:
- Change in economic assumptions;
- Higher than expected pensions in payment; and
- Demographic experience being different than expected.

The above factors contributed to the net actuarial (gain)/loss as follows:

**Actuarial (Gain) / Loss**

| **31 December 2019** | **Legacy fund** | **Gratuity scheme** | **Executive management scheme** | **Total** |
|---|---|---|---|---|
| | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| Change in Economic Assumptions | 492,675 | (257,156) | 9,816 | 245,335 |
| Change in Demographic Assumption | - | - | | - |
| Experience: | | | | |
| Pension/Salary Increases | 135,448 | (783,394) | 12,754 | (635,192) |
| Demographic Experience | 200,248 | (66,178) | (1,708) | 132,362 |
| | **828,371** | **(1,106,728)** | **20,862** | **(257,495)** |

| **31 December 2018** | **Legacy fund** | **Gratuity scheme** | **Executive management scheme** | **Total** |
|---|---|---|---|---|
| | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| Change in Economic Assumptions | (139,381) | - | (3,037) | (142,418) |
| Change in Demographic Assumption | - | - | | - |
| Experience: | | | | |
| Pension/Salary Increases | - | - | 5,926 | 5,926 |
| Demographic Experience | 25,413 | - | (2,885) | 22,528 |
| | **(113,968)** | **-** | **4** | **(113,964)** |

**26 (b) The movement in the fair value of plan assets of the year is as follows:**

| **31 December 2019** | **Legacy fund** | **Gratuity scheme** | **Executive management scheme** | **Total** |
|---|---|---|---|---|
| | **N' 000** | **N' 000** | **N' 000** | **N' 000** |
| At the beginning of the period | 2,248,348 | 50,476 | - | 2,298,824 |
| Interest income | 353,210 | 7,975 | - | 361,185 |
| Employer contributions | 8,970 | 347,501 | - | 356,471 |
| Expenses | (8,970) | - | - | (8,970) |
| Remeasurement (losses)/gains | 174,846 | (7,975) | - | 166,871 |
| Benefits paid | (491,244) | (347,501) | - | (838,745) |
| | **2,285,160** | **50,476** | **-** | **2,335,636** |
| **Composition of plan assets** | | | | |
| Cash | 1,073,797 | 50,476 | - | 1,124,273 |
| Equity | 121,570 | - | - | 121,570 |
| Bonds | 1,089,793 | - | - | 1,089,793 |
| | **2,285,160** | **50,476** | **-** | **2,335,636** |
| Quoted | 1,211,363 | - | - | 1,211,363 |
| Unquoted | 1,073,797 | 50,476 | - | 1,124,273 |

| **31 December 2018** | | | | |
|---|---|---|---|---|
| At the beginning of the period | 2,388,038 | - | - | 2,388,038 |
| Interest income | 326,103 | - | - | 326,103 |
| Employer contributions | 14,710 | - | - | 14,710 |
| Expenses | (14,710) | - | - | (14,710) |
| Remeasurement (losses)/gains | (126,486) | - | - | (126,486) |
| Benefits paid | (339,307) | - | - | (339,307) |
| | **2,248,348** | **-** | **-** | **2,248,348** |
| **Composition of plan assets** | | | | |
| Cash | 1,119,677 | - | - | 1,119,677 |
| Equity | 162,331 | - | - | 162,331 |
| Bonds | 966,340 | - | - | 966,340 |
| | **2,248,348** | **-** | **-** | **2,248,348** |
| Quoted | 1,128,671 | - | - | 1,128,671 |
| Unquoted | 1,119,677 | - | - | 1,119,677 |

Through its defined benefit scheme, the group is exposed to a number of risks, the most significant of which are detailed below:

***Asset volatility*** -The plan liabilities are calculated using a discount rate set with reference to government bond yields; if plan assets under perform this yield, this will create a deficit. The Group holds a significant proportion of treasury bills, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

***Changes in bond yields*** -decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' placement holdings as placement yields are positively correlated with yield on government bonds.

***Life expectancy*** -The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

***Inflation risk*** -Some of the Group's obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan assets are unaffected by inflation meaning that an increase in inflation will also increase the deficit.

**The principal actuarial assumptions were as follows:**

| | Legacy fund | Gratuity scheme | Executive management scheme |
|---|---|---|---|
| **31 December 2019** | | | |
| Discount rate | 12.0% | 13.3% | 4.3% |
| Pension allowance increase | 0.0% | 11.0% | 0.0% |
| **31 December 2018** | | | |
| Discount rate | 16.1% | 15.8% | 16.0% |
| Pension allowance increase | 0.0% | 14.0% | 0.0% |

**Sensitivity analysis**
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions based on determining the movement in the obligation by assuming a 1% increase or decrease in one assumption while all other factors remain constant.

**31 December 2019**

| **Legacy fund assumptions** | **Discount rate** | | **Salary increase rate** | | **Age rating** | |
|---|---|---|---|---|---|---|
| | 1% | 1% | 1% | 1% | 1% | 1% |
| | N' 000 | N' 000 | N' 000 | N' 000 | N' 000 | N' 000 |
| **Sensitivity level** | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| | (2,459,940) | (2,757,724) | (2,777,003) | - | (2,562,352) | (2,636,822) |

| **Gratuity scheme assumptions** | **Discount rate** | | **Salary increase rate** | | **Age rating** | |
|---|---|---|---|---|---|---|
| | 1% | 1% | 1% | 1% | 1% | 1% |
| | N' 000 | N' 000 | N' 000 | N' 000 | N' 000 | N' 000 |
| **Sensitivity level** | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| | (4,921,949) | (5,808,305) | (5,816,545) | (4,908,131) | (5,347,126) | (5,330,727) |

| **Executive management scheme assumptions** | **Discount rate** | | **Age rating** | |
|---|---|---|---|---|
| | 1% | 1% | 1% | 1% |
| | N' 000 | N' 000 | N' 000 | N' 000 |
| **Sensitivity level** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| | (281,827) | (283,629) | (282,729) | (282,716) |

**31 December 2018**

| **Legacy fund assumptions** | **Discount rate** | | **Mortality rate** | |
|---|---|---|---|---|
| | 1% | 1% | 1% | 1% |
| | N' 000 | N' 000 | N' 000 | N' 000 |
| **Sensitivity level** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| | (1,894,933) | (2,081,029) | (1,962,231) | (2,003,545) |

| **Executive management scheme assumptions** | **Discount rate** | | **Mortality rate** | |
|---|---|---|---|---|
| | 1% | 1% | 1% | 1% |
| | N' 000 | N' 000 | N' 000 | N' 000 |
| **Sensitivity level** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| | (174,870) | (178,859) | (176,990) | (176,712) |

The sensitivity analysis was performed by recomputing the liability to show the effect of:
i) the change in the discount rate assumption on the defined benefit obligation by adding and subtracting 1% to the discount rate; and
ii) the change in the pension increase rate assumption on the defined benefit obligation by adding and subtracting 1% to the pension increase rate.
iii) the change in the mortality assumption on the defined benefit obligation by increasing and decreasing the post-retirement age rating by 1 year.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

27 **Capital grant**
The capital grant represents funds received from the Federal Ministry of Finance on behalf of the Federal Government of Nigeria as owner's equity contribution. No additional equity contribution during the period under review.

28 **a) Capital reserve fund**
Capital reserve fund represents one-fifth of the commission's operating surplus for the 2007 and 2008 financial years which was retained after transferring 80% of the surplus to the Federal Government of Nigeria in compliance with section 22(1) of the Fiscal Responsibility Act 2007.

**b) Transfer to Consolidated Revenue Fund Account**
This represents an annual transfer of 80% of the Commission's operating surplus to the Federal Government of Nigeria in compliance with section 22(1) of the Fiscal Responsibility Act 2007.

## 29 Reconciliation of profit to cash generated from operations

| | | Group | | Commission | |
|---|---|---|---|---|---|
| | | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | | N' 000 | N' 000 | N' 000 | N' 000 |
| **Surplus/(Deficit) for the period** | | (9,418,652) | (999,180) | (9,277,649) | (639,399) |
| **Adjustments for:** | | | | | |
| – Depreciation Property and equipment | (Note 14) | 200,707 | 240,129 | 189,019 | 228,837 |
| – Depreciation Right of use assets | (Note 15) | 10,063 | - | 10,063 | - |
| – Amortisation | (Note 16) | 30,821 | 30,454 | 30,821 | 30,454 |
| – Defined benefit scheme expenses | (Note 26) | 100,677 | 44,250 | 100,677 | 44,250 |
| - Gratuity scheme expenses | (Note 26) | 6,306,684 | - | 6,306,684 | - |
| - Impairment charged/(write back) on staff loans and other receivable | (Note 18) | (40,727) | (11,057) | (40,727) | (11,057) |
| - Impairment charged on investment securities | (Note 19.2) | 553 | 9,795 | 553 | 9,795 |
| - Impairment charged on finance lease receivables | (Note 21) | 2,650 | - | 2,650 | - |
| – Interest expense on lease liability | (Note 13) | 10,538 | - | 10,538 | - |
| – Finance income on leases | (Note 8) | (4,004) | - | (4,004) | - |
| - Lease liabilities | | 74,565 | - | 74,565 | - |
| - Finance lease receivables | | (23,235) | - | (23,235) | - |
| **Changes in operating assets and liabilities** | | | | | |
| -Change in prepayments | | 1,133,812 | 222,394 | 1,132,113 | 223,941 |
| -Change in staff loans and other receivables | | 69,071 | 257,864 | 69,071 | 257,863 |
| -Change in payable to CRF | | (51,195) | 235,530 | (51,195) | 235,530 |
| -Change in sundry creditors | | (389,935) | 529,505 | (342,664) | 113,536 |
| -Change in accruals | | 62,960 | (21,462) | 68,727 | (21,462) |
| -Change in provisions | | (265,801) | 181,540 | (265,801) | 181,540 |
| **Cash (used in)/generated from operating activities** | | **(2,190,448)** | **719,762** | **(2,009,794)** | **653,828** |

## 30 Contingent liabilities and commitments

**Legal proceedings**
The Group in the ordinary course of business is presently involved in two litigation suits (2018: two) amounting to N111 million (2018: N94 million). The Board of the Commission are of the opinion that no material adverse outcome will result therefrom.

**Capital commitments**
There are no capital commitments on the Group as at the end of the year.

## 31 Related party transactions

The Commission controls three structured entities namely the Nigerian Capital Market Development Fund, the National Investor Protection Fund and the Nigeria Capital Market Institute. These structured entities were formed by the Commission, and are companies limited by guarantee hence they have no share capital. The Commission controls the three entities as the activities of the structured entities are controlled by the Commission's personnel and those activities are in furtherance of the Commissions' goals and objectives. The structured entities are also wholly funded by the Commission.

## 31.1 Key management personnel compensation

Key management personnel's in the Commission are executive members of the Board of the Commission. The compensation paid or payable to key management for employee services is shown below :

| | Group | | Commission | |
|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | N' 000 | N' 000 | N' 000 | N' 000 |
| Short term benefits /executive compensation | 329,497 | 329,497 | 329,497 | 329,497 |
| Post employment benefits | 15,623 | 15,623 | 15,623 | 15,623 |
| | **345,120** | **345,120** | **345,120** | **345,120** |

The average number of persons, excluding Commissioners, employed by the Group and the Commission during the year was as follows:

| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
|---|---|---|---|---|
| | N' 000 | N' 000 | N '000 | N '000 |
| Senior management | 70 | 67 | 70 | 67 |
| Management | 367 | 330 | 367 | 330 |
| Non management | 108 | 156 | 108 | 156 |
| | 545 | 553 | 545 | 553 |

**31.2 Balances with related parties**

This represents the total amount of transactions between the Commission and its related parties stated below:

| Group | Nature of relationship | Transactions | 31 December 2019 N' 000 | 31 December 2018 N' 000 | 31 December 2019 N' 000 | 31 December 2018 N' 000 |
|---|---|---|---|---|---|---|
| Ag. Director General | Key management personnel | Loan | 1,000 | 1,000 | 1,000 | 1,000 |
| Ag. Executive Commissioner (Corporate Services) | Key management personnel | Loan | 2,843 | 2,843 | 2,843 | 2,843 |
| Ag. Executive Commissioner, Operations) | Key management personnel | Loan | 3,750 | 3,750 | 3,750 | 3,750 |
| Ag. Executive Commissioner (Legal & Enforcement) | Key management personnel | Loan | 5,891 | 5,891 | 5,891 | 5,891 |

| Commission | Nature of relationship | Nature of balance | 31 December 2019 N' 000 | 31 December 2018 N' 000 | 31 December 2019 N' 000 | 31 December 2018 N' 000 |
|---|---|---|---|---|---|---|
| Ag. Director General | Key management personnel | Loan | 1,000 | 1,000 | 1,000 | 1,000 |
| Ag. Executive Commissioner, Corporate Services) | Key management personnel | Loan | 2,843 | 2,843 | 2,843 | 2,843 |
| Ag. Executive Commissioner, Operations) | Key management personnel | Loan | 3,750 | 3,750 | 3,750 | 3,750 |
| Ag. Executive Commissioner, Legal & Enforcement) | Key management personnel | Loan | 5,891 | 5,891 | 5,891 | 5,891 |
| Nigerian Capital Market Development Fund | Subsidiary | Payable | 5,677,398 | 5,765,033 | 5,677,398 | 5,765,033 |
| National Investor Protection Fund | Subsidiary | Payable | 6,272,441 | 6,274,541 | 6,272,441 | 6,274,541 |
| Nigeria Capital Market Institute | Subsidiary | Payable | 5,073,723 | 4,932,924 | 5,073,723 | 4,932,924 |

None of the loans to key management personnel is either past due nor impaired. Hence no specific provision was required in 2019 (2018: nil) for the loans made to key management personnel. The loans are repayable monthly and the interest rate ranges between 1% to 3%. The repayment period ranges between 2 to 10 years.

The payables to related parties arise mainly from funding arrangement between the Commission and Fund. They are short term in nature.

**31.3 Consolidated structured entities**

**National Investor Protection Fund**

The National Investor Protection Fund was incorporated in March 2012 as a company limited by guarantee for the purpose of compensating investors (not covered by the Investors' Protection Fund operated by the Nigeria Stock Exchange) who suffer losses due to systematic failures in the capital market. The National Investor Protection Fund has no Share Capital.

**Nigerian Capital Market Development Fund**

The Nigerian Capital Market Development Fund is a company limited by guarantee. The Commission set aside funds for the purpose of facilitating the development of the capital market.

**Nigeria Capital Market Institute**

The Commission has interest in the Nigeria Capital Market Institute (NCMI), the erstwhile educational and training unit of the Commission. The Commission registered NCMI as a company limited by guarantee, so as to provide training and other capacity building initiatives for members of the investing public.

The Commission controls Nigeria Capital Market Institute as reflected by the following:

a) The Key Management Personnel of the Institute are Senior officers of the Commission;

b) The Institute's operations are dependent on funding from the Commission;

c) A significant portion of the relevant activities of NCMI are directed by the Commission;

d) The Commission has power to affect the returns from the operations of NCMI. The Commission determines the compensation policy and available funds for the operations of NCMI.

**The nature of risks associated with the Commission's interests in the consolidated structured entities**

The risk associated with the Commission's interests in these structured entities is in the provision of funds for their operation. The Commission is committed to ensuring that the entities perform as designed and could be exposed if they fail to discharge of their stated functions. The other risk lies with the guarantee the Commission provided on incorporation of some of the entities. These guarantees exposes the Commission to potential adverse risks as the Commission might be required to inject more funds into the structured entities to keep them going.
The Commission set aside a total of N15 billion to the three structured entities as start up funding, as disclosed in note 17.

The summarised financial information of these consolidated structured entities are provided below. This information is based on amounts before inter-company eliminations.

**Statement of financial position as at 31 December 2019**

| | National Investor Protection Fund | Nigerian Capital Market Development Fund | Nigeria Capital Market Institute |
|---|---|---|---|
| | N'000 | N'000 | N'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment | - | - | 19,818 |
| Staff loans and other receivables | 6,237,504 | 5,645,775 | 5,045,462 |
| **Total non-current assets** | **6,237,504** | **5,645,775** | **5,065,280** |
| **Current assets** | | | |
| Cash and bank balances | - | - | 823 |
| **Total current assets** | - | - | **823** |
| **Total assets** | **6,237,504** | **5,645,775** | **5,066,103** |
| **Equity** | | | |
| Accumulated reserve fund | 1,235,812 | 643,133 | 63,553 |
| Capital | 5,000,000 | 5,000,000 | 5,000,000 |
| **Total equity** | **6,235,812** | **5,643,133** | **5,063,553** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Sundry and other creditors | 1,692 | 2,642 | 2,550 |
| **Total current liabilities** | **1,692** | **2,642** | **2,550** |
| **Total liabilities** | **1,692** | **2,642** | **2,550** |
| **Total equity and liabilities** | **6,237,504** | **5,645,775** | **5,066,103** |
| **Statement of profit or loss and other comprehensive income** | | | |
| Workshop/training fees | - | - | 52,251 |
| **Total income** | - | - | **52,251** |
| Depreciation and amortisation expenses | - | - | (11,689) |
| Other operating expenses | (1,125) | (87,610) | (92,830) |
| Net impairment on staff loans and other receivable | 17,924 | 16,946 | 13,298 |
| **Total expenditure** | **16,799** | **(70,664)** | **(91,221)** |
| **Deficit/(income) for the year** | **16,799** | **(70,664)** | **(38,970)** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement gain on defined benefit scheme | - | - | - |
| **Other comprehensive income for the year** | - | - | - |
| **Total comprehensive income for the year** | **16,799** | **(70,664)** | **(38,970)** |

**Statement of financial position as at 31 December 2018**

| | National Investor Protection Fund | Nigerian Capital Market Development Fund | Nigeria Capital Market Institute |
|---|---|---|---|
| | N'000 | N'000 | N'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment | - | - | 22,556 |
| Staff loans and other receivables | 6,221,680 | 5,716,464 | 4,892,674 |
| **Total non-current assets** | **6,221,680** | **5,716,464** | **4,915,230** |
| **Current assets** | | | |
| Cash and bank balances | - | - | 190,428 |
| **Total current assets** | **-** | **-** | **190,428** |
| **Total assets** | **6,221,680** | **5,716,464** | **5,105,658** |
| **Equity** | | | |
| Accumulated reserve fund | 1,219,013 | 713,797 | 102,133 |
| Capital | 5,000,000 | 5,000,000 | 5,000,000 |
| **Total equity** | **6,219,013** | **5,713,797** | **5,102,133** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Sundry and other creditors | 2,667 | 2,667 | 3,525 |
| **Total liabilities** | **2,667** | **2,667** | **3,525** |
| **Total equity and liabilities** | **6,221,680** | **5,716,464** | **5,105,658** |
| **Statement of profit or loss and other comprehensive income** | | | |
| Other Income | - | - | 70,378 |
| **Total income** | **-** | **-** | **70,378** |
| Depreciation and amortisation expenses | - | - | (11,290) |
| Other operating expenses | (1,050) | (305,413) | (111,459) |
| Net impairment on staff loans and other receivable | 1,724 | 4,240 | 2,292 |
| Net impairment on investment securities | - | - | - |
| **Total expenditure** | **674** | **(301,173)** | **(120,457)** |
| **Income/(deficit) for the year** | **674** | **(301,173)** | **(50,079)** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gain on defined benefit scheme | - | - | - |
| **Other comprehensive income for the year** | **-** | **-** | **-** |
| **Total comprehensive income for the year** | **674** | **(301,173)** | **(50,079)** |

32 **Subsequent events**

a) The Finance Act was signed into law in January 2020. The Commission being a government entity is not liable to pay tax therefore no tax was computed.

b) A novel strain of coronavirus(COVID-19) that first surfaced in China was declared as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. The potential impact of COVID-19 remains uncertain, including, among other things, the impact on economic conditions, businesses and consumers. Securities and Exchange Commission (SEC), being part of the economic unit, is not exempted from the negative impact of the pandemic. The Executive Management of SEC has assessed the impact of COVID-19 on its business activities. Though, due to the uncertainties that surround this time, the Commission cannot estimate the full impact of COVID-19 on its business as the situation is evolving. The Commission invests mainly in FGN Bonds and Treasury bills which has not been significantly affected by the disruption of the pandemic. Thus, this is considered as a non-adjusting post balance sheet event.

However, it is reasonably possible that outcomes within the next financial year that are different from assumptions used for some estimates and judgement, could require a material adjustment to the carry amount of the asset or liability.

# Other national disclosures

**Securities and Exchange Commission**
**Consolidated and separate financial statements**
**For the year ended 31 December 2019**
**Statement of value added**

| **Group** | **31 December 2019 N '000** | **%** | **31 December 2018 N '000** | **%** |
|---|---|---|---|---|
| **Gross income** | 8,701,922 | | 8,164,232 | |
| **Bought in goods and services** | | | | |
| - local | (2,544,674) | | (2,432,062) | |
| **Value added** | **6,157,248** | **100%** | **5,732,170** | **100%** |
| **Distribution** | | | | |
| **Employees** | | | | |
| Employee benefit expense | 15,334,309 | 249% | 6,460,767 | 174% |
| **Providers of capital** | | | | |
| (Deficit) for the year | (9,418,652) | (153%) | (999,180) | (81%) |
| **To provide for enhancement of assets and growth** | | | | |
| Depreciation, impairment and amortisation expenses | 241,591 | 4% | 270,583 | 7% |
| | **6,157,248** | **100%** | **5,732,170** | **100%** |

| **The Commission** | **31 December 2019 N '000** | **%** | **31 December 2018 N '000** | **%** |
|---|---|---|---|---|
| **Gross income** | 8,649,671 | | 8,093,854 | |
| **Bought in goods and services** | | | | |
| - local | (2,363,111) | | (2,013,195) | |
| **Value added** | **6,286,560** | **100%** | **6,080,659** | **100%** |
| **Distribution** | | | | |
| **Employees** | | | | |
| Employee benefit expense | 15,334,309 | 244% | 6,460,767 | 107% |
| **Providers of capital** | | | | |
| Surplus/ (deficit) for the year | (9,277,649) | (148%) | (639,399) | (11%) |
| **To provide for enhancement of assets and growths** | | | | |
| Depreciation, impairment and amortisation expenses | 229,900 | 4% | 259,291 | 4% |
| | **6,286,560** | **100%** | **6,080,659** | **100%** |

Securities and Exchange Commission
Consolidated and separate financial statements
For the year ended 31 December 2019
**Five year financial summary (Group)**

| | 31 December 2019 N '000 | 31 December 2018 N '000 | 31 December 2017 N '000 | 31 December 2016 N '000 | 31 December 2015 N '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | 3,025,958 | 3,055,829 | 3,243,133 | 3,345,466 | 3,560,994 |
| Right of use assets | 59,130 | - | - | - | - |
| Intangible assets | 45,642 | 76,463 | 97,869 | 30,058 | 14,390 |
| Staff loans and other receivables | 607,991 | 664,652 | 1,009,683 | 1,066,374 | 720,713 |
| Investment securities | 4,012,030 | 4,021,143 | 2,333,349 | 4,643,249 | 7,609,367 |
| Prepayments | 425,360 | 1,071,311 | 1,380,528 | 1,170,089 | 1,367,639 |
| Retirement benefit assets | - | 88,022 | 130,084 | - | - |
| Finance lease receivables | 22,704 | - | - | - | - |
| **Total non-current assets** | **8,198,815** | **8,977,420** | **8,194,646** | **10,255,236** | **13,273,103** |
| **Current assets** | | | | | |
| Staff loans and other receivables | 203,046 | 174,729 | 204,816 | 873,048 | 572,602 |
| Investment securities | 12,493,045 | 14,886,346 | 5,373,035 | 13,779,957 | - |
| Prepayments | 1,100,760 | 1,588,621 | 1,501,798 | 819,770 | 1,404,514 |
| Finance lease receivables | 4,381 | - | - | - | - |
| Cash and bank balances | 467,664 | 583,067 | 11,471,575 | 1,386,887 | 14,578,889 |
| **Total current assets** | **14,268,896** | **17,232,763** | **18,551,224** | **16,859,662** | **16,556,005** |
| **Total assets** | **22,467,711** | **26,210,183** | **26,745,870** | **27,114,898** | **29,829,108** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Capital grant | 496,858 | 496,858 | 496,858 | 496,858 | 496,858 |
| Capital reserve fund | 447,676 | 447,676 | 447,676 | 447,676 | 447,676 |
| Accumulated reserve fund | 13,347,953 | 22,371,380 | 23,802,181 | 24,178,043 | 27,008,110 |
| **Total equity** | **14,292,487** | **23,315,914** | **24,746,715** | **25,122,577** | **27,952,644** |
| **Liabilities** | | | | | |
| **Non current liabilities** | | | | | |
| Retirement benefit obligations | 5,886,003 | - | - | 324,853 | 646,472 |
| Lease liabilities | 70,166 | - | - | - | - |
| **Total non-current liabilities** | **5,956,169** | - | - | **324,853** | **646,472** |
| **Current liabilities** | | | | | |
| Lease liabilities | 4,399 | - | - | - | 25,458 |
| Accruals | 94,977 | 32,017 | 53,478 | 37,402 | 32,922 |
| Sundry and other creditors | 874,263 | 1,299,840 | 800,335 | 1,010,066 | 551,612 |
| Payable to Consolidated Reserve Fund | 709,677 | 760,872 | 525,342 | - | - |
| Provisions | 535,739 | 801,540 | 620,000 | 620,000 | 620,000 |
| **Total current liabilities** | **2,219,055** | **2,894,269** | **1,999,155** | **1,667,468** | **1,229,992** |
| **Total liabilities** | **8,175,224** | **2,894,269** | **1,999,155** | **1,992,321** | **1,876,464** |
| **Total equity and liabilities** | **22,467,711** | **26,210,183** | **26,745,870** | **27,114,898** | **29,829,108** |

Securities and Exchange Commission
Consolidated and separate financial statements
For the year ended 31 December 2019
Five year financial summary (Group)

**Statement of Comprehensive Income (Group)**

| | 31 December 2019 N '000 | 31 December 2018 N '000 | 31 December 2017 N '000 | 31 December 2016 N '000 | 31 December 2015 N '000 |
|---|---|---|---|---|---|
| Fee income from operations | 5,905,062 | 5,473,477 | 5,116,651 | 3,627,563 | 4,392,631 |
| Interest income | 2,424,147 | 2,561,913 | 2,706,196 | 1,660,077 | 2,694,700 |
| Other operating income | 368,709 | 128,842 | 67,596 | 48,538 | 44,586 |
| Finance income on leases | 4,004 | | | | |
| **Total income** | **8,701,922** | **8,164,232** | **7,890,443** | **5,336,178** | **7,131,917** |
| Employee benefits expense | (15,334,309) | (6,460,767) | (5,759,407) | (6,112,209) | (7,864,063) |
| Depreciation and amortisation expenses | (241,591) | (270,583) | (299,391) | (309,884) | (312,884) |
| Other operating expenses | (2,571,660) | (2,433,324) | (1,849,264) | (2,272,877) | (2,610,965) |
| Net impairment on financial assets | 37,524 | 1,262 | - | - | - |
| Finance expense on leases | (10,538) | - | - | (6,780) | (5,025) |
| **Total expenditure** | **(18,120,574)** | **(9,163,412)** | **(7,908,062)** | **(8,701,750)** | **(10,792,937)** |
| **(Deficit)/surplus for the year** | **(9,418,652)** | **(999,180)** | **(17,619)** | **(3,365,572)** | **(3,661,020)** |
| **Other comprehensive income:** | | | | | |
| Items that will not be reclassified to | | | | | |
| **Remeasurement gains/ (loss) on defined benefit scheme** | 424,366 | (12,522) | 225,517 | 535,505 | (548,700) |
| **Other comprehensive income for the year** | **424,366** | **(12,522)** | **225,517** | **535,505** | **(548,700)** |
| **Total comprehensive (loss)/profit for the year** | **(8,994,286)** | **(1,011,702)** | **207,898** | **(2,830,067)** | **(4,209,720)** |

**Five year financial summary (Commission)**

| | 31 December 2019 | 31 December 2018 | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|---|
| | N '000 | N '000 | N '000 | N '000 | N '000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | 3,006,141 | 3,033,276 | 3,209,429 | 3,345,466 | 3,560,994 |
| Right of use assets | 59,130 | - | - | - | - |
| Intangible assets | 45,642 | 76,463 | 97,869 | 30,058 | 14,390 |
| Interest in structured entities | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Staff loans and other receivables | 607,991 | 664,652 | 1,009,683 | 1,066,374 | 720,713 |
| Investment securities | 4,012,030 | 4,021,143 | 2,333,349 | 4,643,249 | 7,609,367 |
| Prepayments | 425,360 | 1,071,311 | 1,380,531 | 1,170,089 | 1,367,639 |
| Retirement benefit assets | - | 88,022 | 130,084 | - | - |
| Finance lease receivables | 22,704 | - | - | - | - |
| **Total non-current assets** | **23,178,998** | **23,954,867** | **23,160,945** | **25,255,236** | **28,273,103** |
| **Current assets** | | | | | |
| Staff loans and other receivables | 203,046 | 174,729 | 204,816 | 1,085,880 | 657,883 |
| Investment securities | 12,493,045 | 14,886,346 | 5,373,035 | 13,779,957 | - |
| Prepayments | 1,100,760 | 1,586,921 | 1,501,643 | 819,770 | 1,404,514 |
| Finance lease receivables | 4,381 | - | - | - | - |
| Cash and bank balances | 466,841 | 392,638 | 11,346,938 | 1,327,562 | 4,343,350 |
| **Total current assets** | **14,268,073** | **17,040,634** | **18,426,432** | **17,013,169** | **6,405,747** |
| **Total assets** | **37,447,071** | **40,995,501** | **41,587,377** | **42,268,405** | **34,678,850** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Capital grant | 496,858 | 496,858 | 496,858 | 496,858 | 496,858 |
| Capital reserve fund | 447,676 | 447,676 | 447,676 | 447,676 | 447,676 |
| Accumulated reserve fund | 11,310,634 | 20,193,059 | 21,264,079 | 21,344,542 | 23,970,297 |
| **Total equity** | **12,255,168** | **21,137,593** | **22,208,613** | **22,289,076** | **24,914,831** |
| **Liabilities** | | | | | |
| **Non current liabilities** | | | | | |
| Retirement benefit obligations | 5,886,003 | - | - | 324,853 | 646,472 |
| Lease liabilities | 70,166 | - | - | - | - |
| **Total non-current liabilities** | **5,956,169** | - | - | **324,853** | **646,472** |
| **Current liabilities** | | | | | |
| Lease liabilities | 4,399 | - | - | - | 25,458 |
| Accruals | 94,977 | 26,250 | 47,712 | 34,402 | 32,922 |
| Sundry and other creditors | 17,890,942 | 18,269,246 | 18,185,710 | 19,000,074 | 8,439,167 |
| Payable to Consolidated Reserve Fund | 709,677 | 760,872 | 525,342 | - | - |
| Provisions | 535,739 | 801,540 | 620,000 | 620,000 | 620,000 |
| **Total current liabilities** | **19,235,734** | **19,857,908** | **19,378,764** | **19,654,476** | **9,117,547** |
| **Total liabilities** | **25,191,903** | **19,857,908** | **19,378,764** | **19,979,329** | **9,764,019** |
| **Total equity and liabilities** | **37,447,071** | **40,995,501** | **41,587,377** | **42,268,405** | **34,678,850** |

Securities and Exchange Commission
Consolidated and separate financial statements
For the year ended 31 December 2019
**Five year financial summary (Commission)**

| | 31 December 2019 | 31 December 2018 | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|---|
| | N '000 | N '000 | N '000 | N '000 | N '000 |
| **Statement of Comprehensive Income (Commission)** | | | | | |
| Fee income from operations | 5,905,062 | 5,473,477 | 5,116,651 | 3,627,563 | 4,392,631 |
| Interest income | 2,424,147 | 2,561,913 | 2,706,196 | 1,629,593 | 1,286,850 |
| Other operating income | 316,458 | 58,464 | 2,382 | 568 | 2,038 |
| Finance income on leases | 4,004 | - | - | - | - |
| **Total income** | **8,649,671** | **8,093,854** | **7,825,229** | **5,257,724** | **5,681,519** |
| Employee benefits expense | (15,334,309) | (6,460,767) | (5,600,639) | (5,996,721) | (7,717,682) |
| Depreciation and amortisation expenses | (229,903) | (259,291) | (294,170) | (309,884) | (312,884) |
| Other operating expenses | (2,390,094) | (2,014,457) | (1,652,640) | (2,105,599) | (2,541,969) |
| Net impairment on financial assets | 37,524 | 1,262 | - | - | - |
| Finance expense on leases | (10,538) | - | - | (6,780) | (5,025) |
| **Total expenditure** | **(17,927,320)** | **(8,733,253)** | **(7,547,449)** | **(8,418,984)** | **(10,577,560)** |
| **(Deficit)/surplus for the year** | **(9,277,649)** | **(639,399)** | **277,780** | **(3,161,260)** | **(4,896,041)** |
| **Other comprehensive income:** | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| **Remeasurement gains/(loss) on defined benefit scheme** | 424,366 | (12,522) | 225,517 | 535,505 | (548,700) |
| **Other comprehensive income for the year** | **424,366** | **(12,522)** | **225,517** | **535,505** | **(548,700)** |
| **Total comprehensive (loss)/profit for the year** | **(8,853,283)** | **(651,921)** | **503,297** | **(2,625,755)** | **(5,444,741)** |