ONE GROUP
MULTIPLE SOLUTIONS

First Pension Custodian Nigeria Limited
Annual Report and Accounts 2014

FBNHOLDINGS IS ONE GROUP OFFERING MULTIPLE SOLUTIONS.

We are the sum of all our parts. Capitalising on the synergy between our Group's subsidiary businesses means we can maximise opportunities, explore new ones and build on our shared learning. It means we can offer our customers a one-stop shop, giving them access to a huge range of financial services and solutions.

But it's not just our customers who benefit from this approach. Collaborating under a Holding Company structure means we're resilient and agile in the face of a tough operating environment. By working together, our group businesses create a platform of specialisation so we can maximise our combined strengths and enhance shareholder value.

FBNHoldings; one Group, multiple solutions.

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The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries, which include First Pension Custodian Nigeria Limited. FBN Holdings Plc is a non-operating holding legal entity incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other financial services' sector on 26 November 2012 and has issued and fully paid-up share capital as 32,632,084,345 ordinary shares of 50 kobo each (₦16,316,042,172.50). FBN Holdings Plc is the parent company of all companies in the FirstBank Group. In this report the abbreviations '₦'mn', '₦'bn' and '₦'trn' represent millions, billions and trillions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

- The Commercial Banking business group comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include the FBNBank in Ghana, Guinea, The Gambia, Sierra Leone and ICB Senegal*. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.
- Investment Banking and Asset Management business group consists of FBN Capital Limited, FBN Funds, FBN Trustees, FBN Securities and FBN Capital Asset Management. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business group includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank and most recently Kakawa Discount House Limited.

This report encompasses First Pension Custodian Nigeria Limited. Unless otherwise stated, the profit or loss statement analysis compares the 12 months to December 2014 to the corresponding 12 months of 2013, and the financial position comparison relates to the corresponding position at 31 December 2013. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the glossary or abbreviation section of this report. This report is also available online at www.firstpensioncustodian.com/download/2014financialreport.

There is an option to view a navigable PDF copy of the First Bank of Nigeria Ltd report as well as standard PDFs of other subsidiary reports at the download centre. A compact disc (CD) containing the annual report and accounts for FBN Holdings Plc and First Bank of Nigeria Ltd, as well as information on outstanding dividend claims and a list of all our business locations, is available on request by contacting FBN Holdings Plc, Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

* To be renamed and rebranded to FBNBank Senegal.

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INTRODUCTION

We are one of the foremost pension custodians in the Nigerian pension industry with about 58 core employees and more than nine years' history.

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Overview

WHO WE ARE

We are one of the foremost pension custodians in the Nigerian pension industry with about 58 core employees and more than nine years' history in the dynamic pension industry. We are a wholly owned subsidiary of First Bank of Nigeria Limited, the principal bank subsidiary of FBNHoldings. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group, which also includes FBN Bank (UK) Limited, FBN Bank Gambia, FBN Bank Ghana, First Pension Custodian Nigeria Limited and FBN Mortgages Limited.

We seek to balance shareholder returns with sustainable growth by focusing on operational excellence and superior customer service delivery and satisfaction. The Bank's brand essence of being 'Dependably Dynamic' stands firmly on the four pillars of success: Leadership, Safety & Security, Enterprise and Service Excellence. The elements of the brand are reflected in our vision and mission statements.

Our mission

To provide best-quality custodial services and optimum protection of contributors' assets

Our vision

True to our name, to be the custodian of first choice

Our values

Integrity, Excellence, Teamwork, Professionalism

Our strategic intent

To be the market leader through customer intimacy and value-added services using best-fit technology

To drive the vision and mission of the Company, we are positioned through our existing business structure to take full advantage of opportunities in the ever-changing operating environment. As at the end of December 2014, we had custodial relationships with 19 pension fund administrators (PFAs), five closed pension fund administrators (CPFAs) and eight banks and other financial institutions. We held about 35% market share and had in our employment 58 core employees during the year. To us, good performance is not just about profit – it's about running our business in the most sustainable way.

WHAT WE DO

The principal activity of First Pension Custodian Nigeria limited (FPCNL) as a pension fund custodian is to provide a wide range of custody services that cover our assigned responsibilities under the Pension Reform Act 2014, in addition to our suite of global services.

Customers are at the heart of our business and we ensure their needs are recognised in all our business decisions. We have a strong focus on responding to our customers' various requirements and offer bespoke solutions. We achieve this through the efficient use of information technology and dedicated staff, as well as through various initiatives aimed at developing value-added services. We believe there has never been a better time to create a more comfortable future for retirees; a world in which employees are well taken care of, after retirement.

Our services include, but are not limited to, the following:

- pension contributions collection from employers on behalf of the PFA for the benefit of contributors;
- investment transactions settlement;
- safekeeping of pension assets;
- corporate actions across all lines of asset classes;
- pension and benefit payments nationwide;
- portfolio valuations;
- cash management; and
- performance measurement and compliance monitoring.

Under our Central Bank of Nigeria (CBN) licence for money market and fixed income instruments, we hold non-pension assets on behalf of the Asset Management Corporation of Nigeria (AMCON) and non-proprietary assets for banks, asset managers and insurance companies. As at end of 2014, we hold about 35% of the market with a total asset under custody of ₦1.82 trillion.

More than nine years after we commenced our operation, we continue to engage our employees, continually striving to exceed our customers' expectations and deliver value to our shareholders.

FBN HOLDINGS PLC (FBNH)

COMMERCIAL BANKING

- FIRST BANK OF NIGERIA LTD
- FIRST PENSION CUSTODIAN LTD
- FBN MORTGAGES LTD
- FBNBANK (UK) LTD
- FBNBANK DRC
- FBNBANK GHANA
- FBNBANK GAMBIA
- FBNBANK GUINEA
- FBNBANK SIERRA LEONE
- ICB SENEGAL*

INVESTMENT BANKING AND ASSET MANAGEMENT

- FBN CAPITAL LTD
- FBN TRUSTEES
- FBN CAPITAL ASSET MANAGEMENT LIMITED
- FBN FUNDS LTD
- FBN SECURITIES LTD

INSURANCE

- FBN INSURANCE LIMITED
- FBN INSURANCE BROKERS LTD

OTHER FINANCIAL SERVICES

- FBN MICROFINANCE BANK LTD
- KAKAWA DISCOUNT HOUSE LIMITED

* To be renamed and rebranded to FBNBank Senegal.

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Performance highlights

FINANCIAL HIGHLIGHTS

GROSS EARNINGS	PROFIT BEFORE TAX	TOTAL ASSETS	ASSETS UNDER CUSTODY
₦4.03bn	₦2.49bn	₦7.00bn	₦1.82trn
▲ 22%	▲ 23%	▲ 11%	▲ 25%

NON-FINANCIAL HIGHLIGHTS

Service delivery and operational efficiency

We continued to leverage our information technology capabilities to add value to our customers and clients. Considerable progress was made in this regard in the current year with the deployment of various IT initiatives to aid the execution of clients' instructions (see page 14).

Customer satisfaction

We remain focused on our strategy to support our clients by continuously reviewing customer service initiatives and to meet anticipated needs by embedding technology across our product offerings. Meetings were held with all our customers to enable us get a better understanding of their needs and requirements. Feedback from the customer satisfaction survey indicates an improved level of satisfaction with our service delivery.

Our people

We made significant progress this year with our people strategy plan. We continued to engage our staff and support the requirements of the business through various developmental courses aimed at enhancing technical and managerial skills. This was to further build capacity and serve our customers better. During the year, there was a review of the performance management process linking employee performance to FPCNL's business strategy and objectives. This ensures effective monitoring and measurement of skills and gaps identified. Members of staff completed an average of 25 training hours during the year. It is only by helping our people to do the best they can that we can achieve our own objectives and goals.

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Chairman's statement

Umar Yahaya Chairman

Let me share with you the honour I feel in respect of my appointment in October 2014 as the second Chairman of First Pension Custodian Nigeria limited (FPCNL), after the retirement of the erstwhile and founding Chairman of the Company, Chief (Dr) Joseph Sanusi, CON. This is an opportunity to be part of the ongoing drive to achieve the Company's vision of being the 'custodian of first choice', to create long-term value for our shareholders and to support our clients to achieve their operational objectives.

2014 was a successful year. A lot of critical progress was made putting in place the foundations for sustainable long-term success. The journey continues within the current unsettled economic and financial market environment, and a demanding and changing regulatory framework.

Notwithstanding this challenging economic environment, FPCNL's financial highlights point towards a business that continues to deliver positive financial performance. The year's profit before tax in 2014 rose to ₦2.5 billion, a 23% increase from 2013.

STRATEGY

A year ago, the Company set out a new direction, as contained in the three-year strategy. The emphasis was on revamping the Company and ensuring consistent top and bottom line growth. While our vision to be the 'custodian of first choice' remains the same, we have reshaped our strategic intent to capture what our strategy focuses on and what we aspire to achieve. Every aspect of the business was reviewed and wide-ranging changes followed. FPCNL's strategy is rooted in four main imperatives: high-performance culture, service excellence, better shareholder returns and market leadership.

We have set ourselves lofty but achievable goals, designed to drive and achieve sustainable and profitable growth. Progress has been noteworthy and FPCNL is reaping the rewards from a sharper focus on performance and service delivery.

The Board believes that the reviewed strategy has provided the right framework for the Company and that our various initiatives (as outlined in detail on page 14) will help to address envisaged challenges and ensure long-term success.

GOVERNANCE

The Board believes that a business built on the principles of good governance is better positioned to succeed over the long term. Our position on governance has enabled us to focus on critical strategic issues, with the Board committees taking on the many oversight and compliance issues that require attention. Helping to shape an environment conducive to good governance is an important investment for us.

Given our ever-changing environment, the Board has during the year paid particular attention to increasing oversight on key risk areas (details on page 17).

CHANGES IN THE BOARD

There were a number of changes to the composition of the Board during the year. The founding Chairman of the Board, Chief Joseph Sanusi, CON, retired as the Chairman of the Board of Directors with effect from 30 September 2014, and I was appointed as his successor. Alhaji Muhammadu Ibrahim, OFR, a foundation non-executive director of the Company, also retired with effect from 30 September 2014. We want to appreciate their immense contributions, most especially the rich experience and bold, imaginative contributions that they both brought to bear on the Board since their appointments in 2005. The progressive increase in the profitability of the Company is a testimony to its solid foundation, and we are proud of their contribution to the laying of this foundation.

In addition, during the year, Dr Ijeoma Jidenma resigned from the Board, while Ms Ijeoma Nwogwugwu and Dr Philip Olufunwa were appointed as directors. They both bring wide-ranging knowledge and considerable experience to further strengthen the Board (details on page 27).

LOOKING AHEAD

Reflecting on a successful 2014, let me express my appreciation to my fellow directors on the Board, our Chief Executive Officer, the top management staff and all other employees. My sincere appreciation also goes to our shareholders, customers and other stakeholders for their continued support for the Company. We will no doubt stand in need of their support and contributions as we steer through the existing turbulent economic waters in order to not only hold our ground, but also re-position ourselves as truly the 'custodian of first choice'.

2015 will be a critical year for FPCNL as we work towards meeting the needs and expectations of all our stakeholders in terms of both the business we do and the way we do it. We have invested, both in technology and people, putting this strongly before existing and potential customers to generate the desired results to all stakeholders in 2015 and beyond. Looking forward, I am confident that we have the strategy, people and resources to continue to deliver sustainable and equitable growth in the years ahead.

Mallam Umar Yahaya
Chairman

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Leadership and governance

As at December 2014, there were six directors on the Board: the Chairman, Chief Executive Officer and four non-executive directors, one of whom is an independent director. The core purpose of the Board is to set the Company's strategy to deliver long-term sustainable value for the benefit of all stakeholders. This can only be supported by appropriate and well-managed governance processes. The Board sets the Company's core values and standard of business conduct in line with the Group's brand and ensures that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has 21 combined years of experience within the pension industry, which helps in understanding opportunities, anticipating challenges and assessing risks in the changing dynamics of the Nigerian pension industry.

To assist the Board in carrying out its functions and provide independent oversight of the internal control and risk management framework, the Board delegates part of its responsibilities to three established Board committees. The Board committees play an important role in working with management to ensure that the Company is well governed and risks are identified and well mitigated. This utilises the expertise of the various committee members in directing the affairs of the Company, and is very helpful in assisting the Board in doing its work more efficiently and effectively.

BOARD OF DIRECTORS

As at 31 December 2014

Membership Key:
BARAC – Board Audit, Risk & Compliance Committee
BFGP – Board Finance & General Purpose Committee
BGC – Board Governance Committee

Umar Yahaya
Chairman

Kunle Jinadu
MD/CEO BARAC, BFGP

Bayo Odeniyi
Independent Director BARAC, BFGP, BGC

Uk Eke, MFR
Non-Executive Director BFGP, BGC

Ijeoma Nwogwugwu
Non-Executive Director BARAC, BFGP

Philip Olufunwa
Non-Executive Director BARAC, BGC

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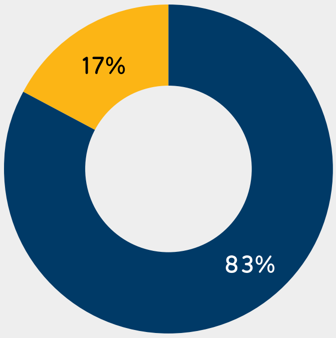
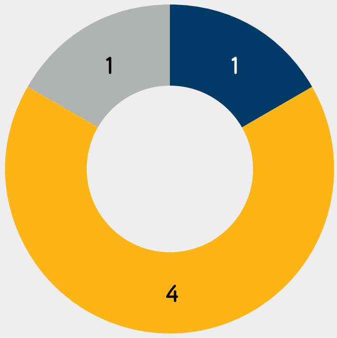
Board Diversity



Board Split



MANAGEMENT TEAM

As at 31 December 2014

The management team represents the principal leadership of FPCNL and is responsible, under the leadership of the Chief Executive Officer, for the day-to-day management of the business, setting performance targets and implementing the Company's strategy and direction as approved by the Board. The complementary skills sets across the team strengthen the Company's ability to adjust effectively to the changing operating environment and deliver on the Company's strategic objectives.

Kunle Jinadu
Managing Director/CEO (Chairman)

Akin Denton
Head, Contributions & Business Development

Bunmi Aderonmu
Head, Safekeeping & Finance

Muyiwa Fagbenro
Head, Information Technology

Tunde Folayan
Head, Audit, Risk & Compliance

Wole Fanimokun
Head, Settlement & Corporate Actions

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BUSINESS REVIEW

In this section, we set out a review of our financial performance during 2014 and the outlook for our business going into the future.

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Chief Executive Officer's review

Kunle Jinadu Chief Executive Officer

The need to operate economically and efficiently, comply with new and existing regulations, meet competitive pressures, and take advantage of opportunities to grow more were all pressing points in 2014. There were also widespread protests and insurgence by terrorists, coupled with the significant weakening of many emerging market currencies. These equally affected the local economy. While 2014 presented numerous challenges, we at FPCNL focused on the opportunities for growth in line with the Company's strategic plan for 2014-2016. This is in line with our strategic thinking of growing the size of our business, while delivering world class custodial services to our customers and shareholders.

2014 RESULTS

For FPCNL, 2014 was another year of growth and improved performance. We increased our gross earnings by 22.48%, which translates into an increase in profit of 23%. The implementation of cost containment initiatives and assets under custody growth helped to drive a better profit margin. Management adopted a prudent approach with our operations as expenses were tightly contained to minimise impact on the bottom line. While we are encouraged by this, the attainment of the 2014-2016 strategic targets remains an important driving force for us.

Over the past years, we have established a simple framework for driving long-term success – to grow ahead of our competitors, produce profitable growth and deliver better shareholder return. We achieved this in 2014 with the Company's substantial investments of over a million dollars in information technology to strengthen the business.

To be the 'custodian of first choice' requires continued investment in our long-term pillars of growth: brand, people and operations. We continue to engage our staff, as well as upgrade our IT systems for improved operational efficiency.

STRATEGY

As we continue to implement the three-year strategic plan, to be the market leader through customer intimacy and value-added services using best-fit technology, we will continue to focus on enhanced customer satisfaction and profitable growth. The planned targets at the end of 2016, using 2013 end of year as base are that revenue and profits will double. Technology is a major enhancer for all our initiatives. We intend to continue to employ technology to ensure operational efficiency and customer satisfaction. We have recently changed our core custody application and are still investing in supporting applications to ensure quality service delivery. With stable operation platforms, we will continue to focus on providing excellent and efficient service to our valued clients. Consequently, our performance will improve further, enabling us to regain leadership in the industry and become a first-class reference point in the pension industry. We will make further progress towards achieving our strategic vision in the year 2015.

OUR STAFF

We made significant progress during the year in driving our strategic agenda for our people. The Company had identified as part of its strategic plan building a high-performance culture by addressing the gaps in human resources management practices. An important aspect of this ongoing initiative is skills development, through various developmental courses aimed at enhancing technical and managerial skills. This is to further build capacity and serve our customers better. In 2014, all employees undertook training, both local and overseas, as relevant to the individual. This is to further deepen knowledge of business specifics and the development of corporate culture. We will continue to engage our staff in the organisation's values, codes, ethics and strategy as they form the foundation for the long-term sustainability of the Company.

RISK AND COMPLIANCE

Effective management of our risks and control remains a priority. During the year, we continued to put in place measures to improve our processes and procedures, to ensure we maintain a robust control environment that supports our long-term growth aspirations. We have also ensured improvements in our risk management framework. As a growing industry reformed to correct the ills of the past, the regulatory regime dictates and enforces a strong framework, failure of which attracts sanctions.

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NEW BUSINESS FOCUS

Going into 2015 and beyond, the Company will be focusing on a doing a better job with its services. It is our plan to ultimately implement straight-through processing across our operations to deliver seamless and superior services. We recognise that our industry is highly regulated, but we will be using superior services as well as offering well-respected, value-adding reports to further penetrate our competitors' clients. These reports will range from typical tools needed daily to perform investment activities as well as performance and compliance monitoring reports.

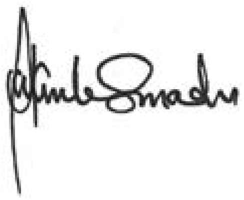
As from 2015, we intend to increase our service offerings in the non-pension sector. We currently provide limited services in this sector under a money market and fixed-income instruments licence issued by the Central Bank of Nigeria. We hope to champion the liberalisation of the practice of custody business.

LOOKING FORWARD

The Company performed creditably considering the market conditions. While 2015 has been projected to be more challenging than 2014, with continuing volatility in the economic and political environment, we are positioned to take advantage of every available opportunity for growth.

I am looking forward to 2015 with great confidence. We will remain focused on delivering profitable volume growth, steady and sustainable operating margins and improved shareholder return.

I would like to thank all our clients for their support. We look forward to a continued mutually beneficial relationship in the coming years. Lastly, I would like to thank our Board of Directors, management and staff for their immense contributions towards the continued success of the Company.



Kunle Jinadu
Chief Executive Officer

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Operating environment

The 2014 financial year was challenging for the Company in terms of operational activities and competition. The entire investment horizon, right from the beginning of the year, started on a cautious note and this was reflected in the negative price movement experienced by many active stocks on the Nigerian Stock Exchange. The capital market experienced a myriad of highs and lows in 2014.

In particular, the last quarter of the year witnessed falling crude oil prices in the international market and a slide in the value of the Naira against major foreign currencies. This had a negative impact on capital market activities, which were already under pressure from other issues, and became a source of worry for stakeholders. In addition, a significant number of foreign portfolio investors have already exited the market. All of these issues have grave implications, both for the country and the pension industry. Apart from insecurity, other issues resulting from the state of the economy with potential implications for pension assets are:

- a possible freeze of salaries in both the public and private sectors, reduced growth rate of the defined contribution scheme and slowdown in the growth of pension assets under custody;
- a failure by various governments to treat pensions obligations as sacrosanct;
- possible lay-offs of workers, potentially due to downsizing or rightsizing as a way to reducing overhead costs;
- inadequate empowerment of private sector companies to cushion the effect of falling oil prices;
- falling prices of equities and bonds on the stock market with implications to depress the value of assets under custody;
- that the worsening value of the naira (₦) to the dollar ($) portends implications for the cost of operations, most especially because of inputs that are serviced in foreign currencies; and
- that interest rate movement will have impact on investment revenue, both for assets under custody and corporate assets.

The regulatory framework continued to evolve with the signing into law of the Pension Reform Act 2014, which repealed the previous Pension Reform Act 2004. The major thrust of the Act is the upward review of the minimum rate of pension contribution from 15% to 18%. The provisions of the Act also expanded the pension base as it revised the obligatory criteria by bringing organisations with as few as three employees into the contributory pension scheme.

Overall, the implication is that more workers would be brought under the contributory pension scheme and there would be a potential increase in global assets resulting in increased assets under custody. Based on current Retirement Savings Account (RSA) registrations, industry analysts estimated that the provisions of the new Act will increase registrations, bringing the total number of accounts to 7.4 million by the end of 2015.

During the year, based on a CBN directive, all banks and discount houses had to appoint licensed custodians for their money market and fixed income instruments and outsource their non-proprietary financial assets. This further increased the asset base of some licensed custodians.

There is continued significant technological development in the pension industry, which has the potential to reshape the market and to drive operational excellence and customer satisfaction.

The pension administration reform in Nigeria can no longer be regarded as nascent and to avoid the chances of operators going to sleep, the National Pension Commission is continually improving its regulatory functions. It is expected that these intensive, intrusive and changing regulations will remain living parts of the pension reform in Nigeria.

As we have done to date, we will continue to evaluate the implications on our business of the unfolding changes in the industry and other key drivers of change, with the objective of developing strategies that would reposition FPCNL as a market leader in the pension custody sector in Nigeria. In order to achieve this, during the year, we completed the implementation of a new core custody application to further enhance customer satisfaction and meet regulatory requirements.

We will continue to develop new ways of doing things. We are paying a lot of attention to developing new IT interfaces where possible, the whole plan being to ultimately achieve a straight-through-process across all the processes in the performance of custodial services both for the pensions and non-pension industry in Nigeria.

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Strategy and performance

Our strategy aims to enhance our reputation as a pension custodian that delivers quality service in competition for further growth opportunities, and in doing so, becomes the 'custodian of first choice'.

OUR BUSINESS MODEL

Our model is focused on building a sustainable business as a pension fund custodian, simultaneously creating long-term value for our shareholders and supporting our clients to achieve their operational objectives. Our customers are at the centre of everything we do. We seek to satisfy the needs of our customers by offering a full range of products and services and thereby achieve improved, regular income and sustainable returns.

The inputs to our business model are threefold: brand, people and operations. These align with our strategy enablers and support the long-term sustainable growth objective.

The Group brand, under which we operate, is central to our goal of being the market leader in terms of assets under custody and profitable growth.

Our business can only achieve sustainable, profitable growth by employing the right people and with a performance-driven culture. We are building capability and leadership among our people. To achieve our vision of being the 'custodian of first choice', we need to continue to build a talented workforce. The smarter we work, the more effective and efficient we will be at meeting the ever-changing needs of our customers.

Our business model enables us to maintain relevance to our customers. We seek to create and add value for our clients through the various services we offer. FPCNL's competitive advantage is created by the diversity of our business, the quality of our Group brand, our customer relations and the quality, character and relationships of our people. We differentiate ourselves from competitors by our approach: our experienced professionals deliver high-quality services and are committed to helping our customers and clients achieve their goals.

We seek to add value to our clients by IT-driven efficient services. The development of high-technology solutions is one of our key differentiators from our competitors.

We generate income from supplying these services to our clients via fees charged and income on our investible/owned funds. Together, our activities generate sustainable returns over the long term for our shareholders and value for our wider stakeholders.

OUR STRATEGY

FPCNL's strategic intent is to be the market leader through customer intimacy and value-added services using best-fit technology. For us, creating trusted relationships with customers is at the heart of everything we do.

In 2013, we undertook a review of our strategy. This resulted in new objectives and aspirations aimed at transforming the culture and performance of FPCNL over the next two to three years. This step takes us closer to achieving our vision of being the 'custodian of first choice' for all our stakeholders. Our business strategy document sets out the path for our long-term aspirations and objectives. First developed in 2008, it was reviewed again in 2013, with the same core elements.

FPCNL's strategic direction setting was carried out within the context of the FirstBank Group's aspirations and overall strategic objectives of market leadership in all key businesses. It has four overall aspirations: a culture of high-performance, service excellence, better shareholder returns and market leadership.

Our value creation strategy is founded on four pillars intrinsically linked to the business model, as follows:

Regain market share – Organic growth and new business remain our primary focus to accelerate the delivery of our strategy.

Deliver better shareholder returns – Combine operational efficiencies with cost containment initiatives to drive profitable growth and deliver long-term sustainable value for the benefit of the shareholder.

Embed service excellence – Provide superior customer service delivery and satisfaction. Technology-driven operations will enable the Company to provide high-performance solutions to our customers, creating the best service and maintaining a competitive edge. During the year, implementation of the new core custody application was completed in addition to other on-line functionalities to provide our clients with self-service interfaces.

Foster high-performance culture – Engage our employees in the Company's business plan and ensure we have the right individuals with the right mix of skills to deliver growth. Create an inclusive, high-performance culture by developing our employees.

In 2014, to support our cultural change, a guide for behaviour, The FPCNL Employee, was disseminated to all members of staff. A strong corporate culture leads to higher long-term returns and is the first line of defence against repeating the mistakes of the past. We continue to invest in our people to get the best out of them.

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Reward and incentives are critical enablers of behaviour change. And, as of 2014, staff performance has been measured and rewarded not only on what an employee delivers but also how they achieve their objectives. As such, rewards will align with FPCNL's values and the Company's performance scorecard.

We have also focused on improving operational efficiencies, which include adopting innovative technology and the automated processing of clients' transactions to enhance customer satisfaction and profitable growth. During the same period, we completed the implementation of the new custody software, as well as other IT initiatives.

FOCUS FOR 2015

In 2015, we will continue to build on the progress made in 2014. We will focus on delivering our financial commitments by continuously seeking opportunities for more business and engendering clients' satisfaction. We expect to see the benefits of our 2014 strategic initiatives begin to manifest themselves in the coming year.

The landscape for the pension industry has been transformed with the signing into law of the Pension Reform Act 2014 and will continue to evolve in the coming years. We aim to respond positively to the evolving regulatory framework, as we believe it will inevitably call for continued rigorous review and supervision by the regulator.

Another key focus for 2015 and the coming years is to sustain the trust that customers and other stakeholders have in our organisation. We are poised to better respond to current needs and anticipate the future needs of our customers and clients by embedding technology across our product offerings.

We have made good progress in 2014 and we start 2015 in a better position. We will continue to take steps to increase the efficiency of our operations and make good progress against our plan. While recognising there is much to be done, we have every reason to be positive about our prospects.

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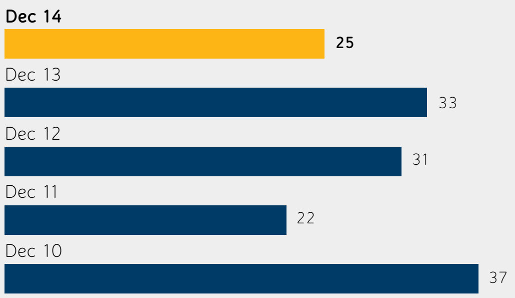
Key Performance Indicators (KPIs)

We track our performance against a number of financial and non-financial Key Performance Indicators (KPIs), which are aligned to our strategic vision. Our KPIs are indicators of the success of past initiatives and also highlight areas for further improvement. They help the Board and management measure our performance against our strategic priorities and business objectives.

Non-financial KPIs are often leading indicators of future financial performance. Improvements in these measures build our competitive advantage.

AGGRESSIVELY REGAIN MARKET LEADERSHIP

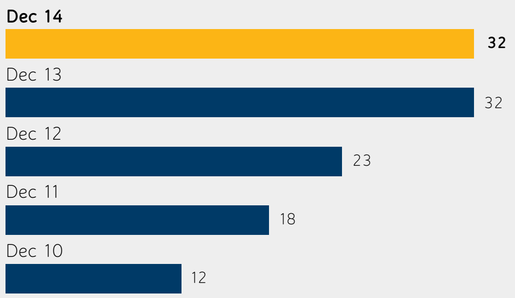
Assets under custody growth (%)



Performance and significance

We aim to increase our market share to about 40% by 2016. We have strong growth on our assets under custody, arising from the non-proprietary assets from six new clients.

Return on equity (%)

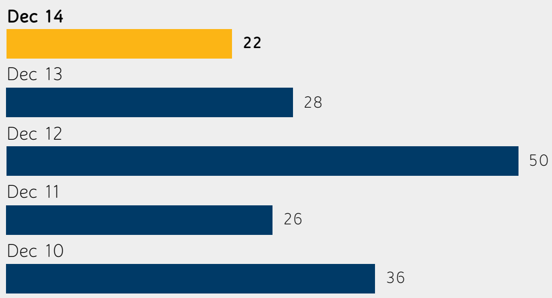


Performance and significance

Sustainable cost containment efforts deployed for improved profitability and better shareholder return. The return on equity remained at 32%, though achieved an increase of 14% growth in profits.

DELIVER BETTER SHAREHOLDER RETURNS

Revenue growth (%)



Performance and significance

We are committed to delivering solid and sustainable financial performance. Revenue grew by 22% to over ₦4.03bn. Over 87% of FPCNL's revenue is from our core custody business.

EMBED SERVICE EXCELLENCE

Customer satisfaction

We aim to increase our customer satisfaction with our products and services and to become the 'custodian of first choice'. We measure customer satisfaction through the quarterly/semi-annual performance scorecard. Recent reports showed that customer satisfaction levels continue to improve.

FOSTER HIGH-PERFORMANCE CULTURE

Employee engagement

Our people are the engine that powers all that we do. We excel when our people love working at FPCNL. Our engagement index has helped us identify specific areas where we are performing well and those areas we need to improve.

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Principal risk summary

FPCNL considers effective risk management to be of utmost importance to its business operation. Risks are managed at FPCNL through a collective effort of all staff, the Audit, Risk & Compliance department, senior management and the Board of Directors. Consequently, the Company has put in place a strong risk management framework that clearly monitors, evaluates and controls the principal risks it is exposed to in the conduct of its actions. The major risks faced by the Company are highlighted below.

MAJOR RISKS FACED BY FIRST PENSION CUSTODIAN

OPERATIONAL RISK

Operational risk is the risk of loss (financial or otherwise) as a result of inadequacies or failures in internal processes, people or systems (including IT and infrastructure). It also includes the risk arising from the interruption of operational activities caused by external events. Examples include: the incorrect execution of a client instruction, the transfer of funds to the wrong counterparties, inadequate reconciliation of stock positions or corporate action entitlements being followed up inadequately. The Company's approach to managing operational risk is to adopt practices that will increase the efficiency and effectiveness of the Company's resources, minimise losses and utilise opportunities.

IMPACT ON BUSINESS

The consequences of operational risk on the business are minor to massive financial loss, reputational damage and loss of market share.

MITIGATION MEASURES

Internal audit/control job functions are key to effective operational risk management. The Internal Audit unit provides independent assessment and evaluation of the Company's operational risk and ensures that business units adhere to the operational risk policies. The Internal Control unit, on the other hand, is accountable as part of its daily checks for monitoring control activities and ensuring compliance with set standards. Other key counter-measures put in place by the management of FPCNL include enhanced staff training, regular job rotation, segregation of duties, continuous improvement of Company policy, and processes and adequate insurance cover for assets and staff.

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REGULATORY COMPLIANCE RISK

The pension industry in Nigeria is highly regulated. The National Pension Commission (PenCom) has issued various laws, rules, guidelines and circulars to guide the operation of the business. The Company is also expected to comply with other government legislation (e.g., tax laws). In this way, FPCNL is faced with regulatory compliance risk. This is the possibility that laws, codes and standard of good practice may not be complied with; which includes placing funds in prohibited investment, delay in rendering PenCom returns, payment without PenCom approval, and failure to deduct and remit tax as appropriate. The Company adopts a culture of compliance which is seen not only as a requirement of law but also good business practice.

Compliance risk management is an independent core risk management activity undertaken by the Company's compliance unit, which is overseen by the Head of Audit, Risk & Compliance.

IMPACT ON BUSINESS

This could result in significant financial loss, reputational damage or outright closure of business, induced by sanctions or fines to the Company or suspension of its licence.

MITIGATION MEASURES

Our Audit, Risk & Compliance team ensures that all relevant internal policies, statutory and regulatory directives are complied with at all times and that exceptions are promptly identified, corrected and reported.

The Compliance unit is well positioned to guard against the risk of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice. It focuses on ensuring that the Company complies with laid-down legislations and regulations that are applicable to pension business and operations.

We also continue to identify and mitigate these risks through development and continuous updates of the Company rules book and compliance risk management framework, improved internal processes and training of stakeholders to understand regulatory obligations and implications of non-compliance.

RESPONSIBILITY

All members of staff are responsible for complying fully with internal policies and regulatory requirements.

REPUTATIONAL RISK

Continuous breach of regulatory rules, legislation or service-level agreements or providing a service that does not comply with industry standards could lead to bad publicity for the Company. FPCNL's reputation may suffer adversely by bad publicity arising from a negative perception on the part of PFAs, PenCom, government agencies, pensioners, service providers or the public at large. This can affect the ability to maintain existing client relationships and attract new business.

IMPACT ON BUSINESS

Reputational risk could lead to negative publicity, loss of revenue and business, costly litigation or the exit of key employees.

MITIGATION MEASURES

The Company identifies and mitigates this risk by creating awareness among all members of staff of the need to be more diligent in the conduct of transactions, ensuring quality services to clients and applying best practice in dealing with various stakeholders. It also strives to maintain quality client services and business operation procedures that enable compliance with regulations in order to minimise the risk of a drop in the reputation of the Company.

LIQUIDITY RISK

First Pension Custodian may face a liquidity risk when there are insufficient financial resources to meet obligations as they fall due, or having to meet financial obligation at excessive costs. This risk arises from mismatches in the timing of cash flows.

IMPACT ON BUSINESS

This could lead to the Company's inability to meet immediate financial obligations and could eventually damage its reputation.

MITIGATION MEASURES

Mitigation measures of liquidity risk include effective cash flow planning, having diversified sources of funding, and efficient asset and liability management.

LEGAL RISK

FPCNL is aware of the potential losses that can arise when a financial institution faces a negative court judgement, when a contract does not provide for required legal protection or when it incurs liability for damages to third parties. The Company consciously avoids an action that can lead to the risk of real or threatened litigation against the Company. It has therefore incorporated the process of managing and mitigating legal risk into the enterprise risk management framework.

IMPACT ON BUSINESS

This risk can cause significant loss to the Company, disrupt its operation and reduce its earnings and capital.

MITIGATION MEASURES

Mitigation measures include strict adherence to sound business practices; avoidance of litigation against the Company; and engagement of external counsel with proven competence in the prosecution of the Company's claim against third parties.

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INFORMATION SECURITY RISK

The Company is faced with business risk related to the unauthorised access, use, disclosure, modification, recording or destruction of information assets. It is specifically a business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. This risk includes:

- human or natural disaster affecting the Company server;
- unauthorised entry into the server room;
- alteration of economic data by unauthorised persons;
- manipulation of electronic data by hackers;
- virus attack on the Company networks; and
- sudden power outage.

IMPACT ON BUSINESS

This risk can expose an enterprise to financial loss, customer dissatisfaction and regulatory breaches. It could compromise confidentiality, integrity or availability of information.

MITIGATING MEASURES

The Company carries out continued risk evaluation through the use of proven risk assessment methodology which identifies key risk areas and prescribes controls necessary in reducing these risks to an acceptable level. Information security control is built into all processes and procedures through the development of appropriate safeguards, and we provide a disaster recovery site for either natural or man-made misadventure that may render existing buildings and/or infrastructures useless.

RESPONSIBILITY

This responsibility is shared by management and all staff through IT security awareness and training programmes targeted at increasing staff awareness of information security.

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Financial review

Bunmi Aderonmu Head, Safekeeping & Finance

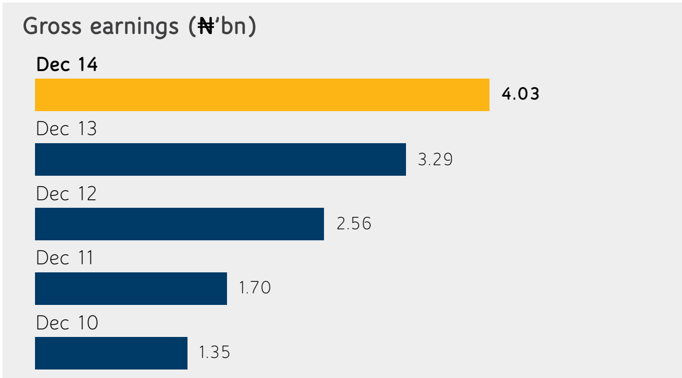
FPCNL delivered a creditable performance in 2014 despite the challenging operating environment. The driving force is delivering sustainable growth year on year. While we continued to drive the delivery of our long-term plans, we took decisive action to manage the business through the short term. During the year, we were responsive to our customers' needs and invested in giving our customers better value. Alongside this, we focused on managing our costs tightly to mitigate the impact on our profitability. We manage all our expenditure carefully, ensuring we are being as efficient as possible.

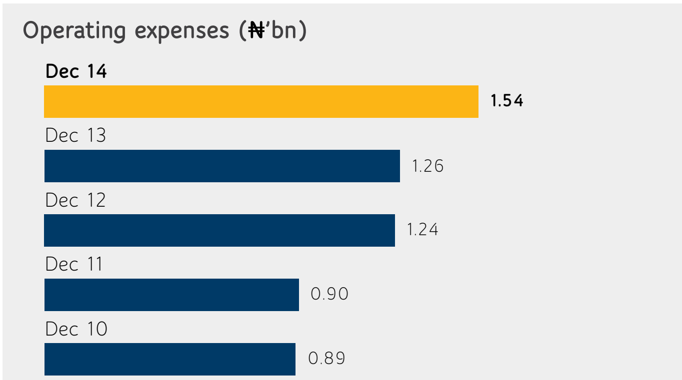
INCOME STATEMENT ANALYSIS

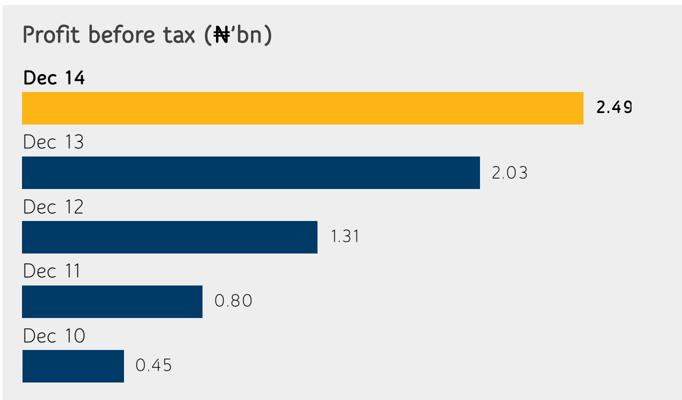
Gross earnings were ₦4.03 billion, an increase of 22% compared to 2013 at ₦3.29 billion. The increase in gross earnings year on year is attributed to increased assets under custody and investible funds. Assets under custody increased by 25% to ₦1.82 trillion (2013: ₦1.45 trillion) arising from newly added volumes of non-pension assets from the outsourcing of non-proprietary asset of banks and other financial institutions. Total interest income grew by 19% to ₦0.51 billion (2013: ₦0.43 billion) driven by growth in investible funds.

Operating costs rose by 22% to ₦1.54 billion (2013: ₦1.26 billion). As the Company continued its drive to support increased business, operational excellence and customer satisfaction, there were increases in amortisation costs, information technology maintenance costs and support to pension industry developments.

All the above factors resulted in a profit before tax of ₦2.49 billion. The current year profit exceeded the prior year's profit before tax by ₦0.46 billion (23%).







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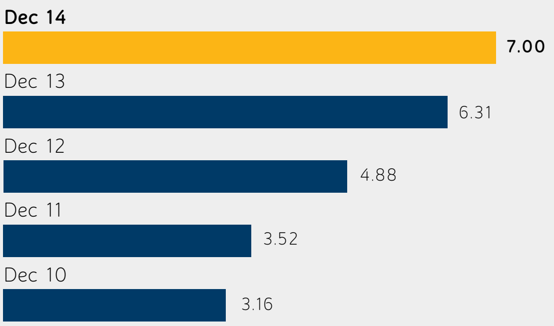
FINANCIAL POSITION ANALYSIS

Total assets of the Company stood at ₦7.00 billion as at 31 December 2014, up by 11% over ₦6.31 billion reported in 2013, driven by growth in investible funds.

Earning assets increased by 17% to ₦5.29 billion (2013: ₦4.52 billion), mainly attributable to an increase in investment securities by ₦0.67 billion (15%) to ₦5.06 billion.

The Company's total equity was ₦5.39 billion as at 31 December 2014, a 15% increase compared to 2013 as a result of the growth in profitability, and consequently, increased the retained earnings.

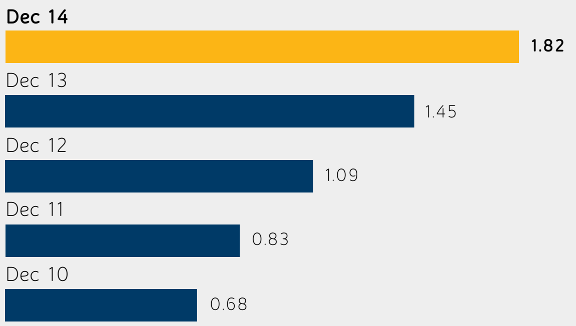
Movement in assets (₦'bn)



ASSETS UNDER CUSTODY (AUC)

AUC grew by 25% to ₦1.82 trillion, from ₦1.45 trillion in 2013. During the year, equity market movements were not favourable, with a drop in the all-shares index of 16.14% year on year, resulting in the depletion of the assets under custody. This position was, however, mitigated by the growth of 1,041.62% in the non-pension assets under custody. This resulted from the non-proprietary money market and other fixed income securities business gained during the year.

Assets under custody (₦'trn)



KEY PERFORMANCE INDICATORS

We measure our performance in generating value for our shareholders by dividing our annual return by our equity base. Return on equity was 31.7%, from 32.2% in 2013, whilst return on assets improved at 24.45% (2013: 23.83%).

CONCLUSION

Running an efficient business is not simply about cost cutting; it's about continual improvement and finding new and better ways of working. This approach supported our various ongoing and already implemented initiatives: the implementation of new information systems and improving our operational execution. As we accelerate these activities, we expect to see bigger and better benefits. We remain cautious about the outlook and believe there is another challenging year ahead.

Against this backdrop, we will continue to operate an efficient business, managing our costs tightly and building a platform for long-term sustainable growth.

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Relationships and responsibility

At FPCNL, we recognise that in order to operate in a socially sustainable manner, our actions and policies must be focused on the long-term benefits to our shareholders, employees, customers, the community and other stakeholders. Our objective is to create value for our customers by providing the best custodian service; empower our people through capacity and talent management; and support our community on education and other platforms. Our commitment to sustainability is not just about the activity, but also about how we run our business.

Beyond workforce development, we are committed to being a good corporate citizen, particularly in the community where we operate. Doing business in a responsible way underpins our values – quality, service, integrity and excellence.

CUSTOMERS

Our priority has been to provide our varied clients and customers with the best custodian service. Our approach is centred on efficiently providing services that meet the changing demands of our customers. During the year, we engaged our clients in order to better understand their needs and meet these needs. This is achievable through the efficient use of technology.

During the year, we completed the implementation of our core custody application, and also developed a number of functionalities around it to enable us deliver world-class services to our customers. On-line functionalities were also developed to provide the clients with self-service interfaces. Deployment of IT will be intensified as a vehicle for providing quality service to customers. There will be deployment of alternative delivery channels to ease pension contribution collections and benefit payments in the coming year.

OUR PEOPLE

We create a great place for our employees to work. We provide personal developmental opportunities for all our employees, including workshops and training programmes; recognise achievements and foster an inclusive and healthy workplace to help our people achieve their full potential. We continue to work to embed appropriate values and leadership skills throughout the organisation. Maintaining the quality of our employee relations is a priority for the Company and the high level of commitment and loyalty from our people continues to bring strength to our business.

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COMMUNITY

We believe it is our responsibility to support our communities through charitable activities, serving the needs of individuals or institutions with limited means. We believe improving the lot of the less privileged is not the sole responsibility of the Government and are undertaking endeavours to provide value and opportunities for the advancement of our immediate community.

Our community investment activities focus on education, with youth as the target demographic. Education remains the bedrock of the socio-economic, cultural and political development of any country. This is the reason why we focus on education in line with our corporate strategy of capacity building. We aim to improve the quality of education available in public schools within our immediate environment. In 2014, the Company provided Ikoyi Nursery and Primary School with educational toys to aid the children's learning process. In 2015, we will replicate this gesture to other needy institutions.

As well as our charitable activities, our operations generate employment, investment and tax revenue for the Government.

Presentation of desktops and educational toys to pupils of Ikoyi Nursery and Primary School, Lagos.

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CORPORATE GOVERNANCE

The Governance section, introduced by the Chairman, contains details about the activities of the Board and its committees during the year, including reports from the various Board committees, and explains how the Board addressed the Company's governance issues.

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Chairman's introduction

Umar Yahaya Chairman

The core purpose of the Board is to set the Company's strategy to deliver long-term sustainable value for the benefit of all stakeholders. The Board is responsible for providing the necessary leadership to promote the long-term success of the Company within the context of an effective framework of controls which encourage talent, creativity and best practice, while managing and mitigating risk. I believe it is important to ensure that sound corporate governance underpins the way we operate, both at Board level and throughout the organisation. To achieve this, the Board seeks to ensure that we have the right people, processes and organisational capabilities to help harness current and future opportunities. Governance at FPCNL is not simply an exercise in box-ticking, but an important aspect of our Board environment. It is the key to our long-term success, enabling us to deliver sustainable shareholder value.

FPCNL has a clear and well-established framework of policies, procedures, systems and controls to support its governance and sustainability efforts and for the management and Board to operate effectively together to achieve FPCNL's objectives. The Company has in place a clear delegation and escalation process designed to provide appropriate levels of assurance about the control environment, while retaining flexibility for our business to operate effectively.

As a Board, during the year ended 2014, we regularly discussed and reviewed our:

- performance and progress;
- people and how to create a high-performance culture;
- successions and future development; and
- customers, shareholders and other stakeholders.

One of the most important aspects of my role is to foster the right dynamism on the Board so as to constructively challenge the executive directors and management. This involves having directors with the right range and balance of skills, expertise and attributes for the Board and for FPCNL. The combination of personalities we have on the Board provides a broad range of perspectives and improves the quality of decision-making. Central to an effective board and to the effectiveness of the contributions of individual non-executive directors, is ensuring that they are provided with the right information at the right time. I will continue to place great emphasis on this and on ensuring that Board and Board committee agendas cover the right issues.

I am well aware of the need to emphasise risk management at the highest level and for the Board to play a key role in ensuring the effectiveness of controls and the evaluation of risk. In the last year, the Board reviewed the risk management framework to align it with the commitment to maintain sound compliance risk management practices in all aspects of the business.

There were a number of changes to the Board during the year. Two members of the Board, including the founding Chairman, retired, while we had two new joiners. On behalf of the Board, I would like to thank Chief Joseph Sanusi, CON, and Alhaji Muhammadu Ibrahim, OFR, for their considerable contributions to FPCNL. Their wealth of knowledge has been of considerable value to the organisation over the years.

In addition to Board appointments, there was a review of the various committee memberships to ensure the efficiency of the various committees. Previously, there were four committees; however, upon reconstitution there are now three. These are the Board Audit, Risk & Compliance, Board Finance & General Purpose (a combination of BFGP and BITSC) and Board Governance (previously Board Nominating Committee). The Board remains focused on long-term succession potential.

It has been another challenging year. While we have made progress, we still have a lot to do. Our annual Board evaluation plays a vital role in highlighting areas, typically governance, where we want to do better and forms part of the action plan for the year. We remain committed to ensuring that external expectations about governance of the Company remain fulfilled in an efficient and proper manner in the long-term interests of shareholders and other stakeholders.

Umar Yahaya
Chairman

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Leadership

As at December 2014, the Board of Directors was composed of five non-executive directors and one executive director. The Board is headed by a Chairman who is elected from the non-executive directors. The Board is responsible for effective oversight and review, while setting the strategic direction and delivering long-term sustainable shareholder value.

MEMBERS OF THE BOARD OF DIRECTORS

UMAR YAHAYA
Chairman

Appointed Chairman October 2014

Appointed director January 2011

Committee membership: N/A

Skills and experience: Umar Yahaya has many years' experience at board and executive management level in commercial and investment banking. With his broad experience and analytical mind, he plays an active part in discussions at Board and Board committee meetings. He has a BSc in Business Administration and a Master of Business Administration.

External appointments: Non-executive director – Fidelity Bank Plc, PZ Cussons Foundation, Leadway Assurance Co, Courier Masters.

Former appointments: Executive director of First Bank of Nigeria, non-executive director FBN Merchant Bankers and MD/CEO of the defunct New Africa Merchant Bank. He was also the immediate past president, Kaduna Chamber of Commerce and a member of the 2020 Vision Team.

KUNLE JINADU
Chief Executive Officer BARAC BFGP

Appointed MD/CEO April 2013

Appointed director January 2009

Skills and experience: Kunle Jinadu brings extensive experience and knowledge of banking, finance and global custody business, which has been built over a period of over 30 years, both locally and internationally. His fresh insight and perspective, with his deep commitment to client services, bring significant value to all stakeholders. He has a BSc in Accounting. He is a Fellow of the Chartered Institute of Accountants and a Fellow of the Chartered Institute of Stockbrokers.

External appointments: Non-executive director – Tiddo Securities Ltd.

Former appointments: Joined ANZGrindlays Merchant Bank Limited in 1989, which transformed into Stanbic Bank Nigeria Limited in 1993, and held various management positions before he rose to the position of General Manager, Corporate Finance, and held other offices simultaneously, including Head, Global Custody and Managing Director/CEO of Stanbic Equities Limited. He took early retirement in 2003 to establish his private consulting company, with which he played a very prominent role in the pension reform implementation.

Membership Key

BARAC Board Audit, Risk & Compliance Committee
BFGP Board Finance & General Purpose Committee
BGC Board Governance Committee
(ch) Chairman

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BAYO ODENIYI
Independent Director BARAC (ch) BFGP BGC

Appointed director April 2009

Skills and experience: Bayo Odeniyi brings his experience in research and consulting to bear on the activities of the Board. He is a strong advocate of the application of new technology for effective operations and customer satisfaction, which directly supports FPCNL strategy. He has a Doctorate in Veterinary Medicine.

External appointments: None.

Former appointments: Bayo Odeniyi previously worked in Lagos State Ministry of Agriculture and Co-operative before joining the National Animal Production Research Institute as a Research Fellow. He left in 1989 to venture into private practice, and currently works as a Lecturer with Tai Solarin University of Education, Ogun State.

URUM EKE, MFR
Non-Executive Director BFGP (ch) BGC

Appointed director April 2012

Skills and experience: Urum Eke has extensive board, financial and general management experience across a range of sectors including banking, audit and public service. His breadth of knowledge makes him an effective non-executive director. He has a BSc in Political Science and a Master of Business Administration in Project Management Technology and is a Fellow of the Institute of Chartered Accountants of Nigeria.

External appointments: Executive director, First Bank of Nigeria Ltd, FBN Bank (UK).

Former appointments: Urum Eke was previously an executive director at Diamond Bank, and a non-executive director of Diamond Bank du Benin and Diamond Capital and Financial Markets.

IJEOMA NWOGWUGWU
Non-Executive Director BARAC BFGP

Appointed director April 2014

Skills and experience: A business leader with over 25 years' experience in the banking, media and public sector industries, Ijeoma Nwogwugwu has the knowledge and experience to provide valuable insight and contribute as a non-executive director and a member of the BARAC and BFGP Committees respectively. She has a BSc in Accounting and a postgraduate qualification in International Housing Finance.

External appointments: Editor and Director, Editorial, THISDAY Newspapers.

Former appointments: Alternate director, Nigerian Security Printing & Minting Company Limited; director, Daily Times of Nigeria Plc; member, Governing Board, National Hospital Abuja.

PHILIP OLUFUNWA
Non-Executive Director BGC (ch) BARAC

Appointed director July 2014

Skills and experience: Philip Olufunwa has a Bachelor of Medicine and Bachelor of Surgery. He is a member of the Royal College of Obstetricians and Gynaecologists and a Fellow of the Royal Society of Medicine.

External appointments: Principal Partner, Westbourne Green Surgery, 2005 to date.

Former appointments: Clinical Head for gynaecologists in Central London in 2009; Board member, Central London Health, 2006 to 2009; Principal Partner, Harrow Road Health Centre, London, 1996 to 2005; Director, Westminster Clinical Commissioning Group National Health Service, 2010 to 2013.

Membership Key

BARAC Board Audit, Risk & Compliance Committee
BFGP Board Finance & General Purpose Committee
BGC Board Governance Committee
(ch) Chairman

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BOARD ROLES AND RESPONSIBILITIES

The Board is responsible for the management, direction, performance and long-term success of our business as a whole. The responsibility of the directors is collective, taking into account their respective roles as executive directors and non-executive directors. The Board establishes and monitors strategy, considering its impact on customers, employees, suppliers and other stakeholders.

Certain decisions and matters require the Board's approval and are not delegated to management. These include:

- setting the overall strategy of the Company and monitoring FPCNL's performance against this strategy and plan;
- approving the annual budget and reviewing performance against the plan;
- approving the Company's risk appetite and risk management framework;
- reviewing annually the Company's system of internal control, governance and risk management;
- appropriate and effective Board and executive management succession; and
- approving financial statements, dividends and significant accounting changes.

The Board and Board committees have, with the exception of certain matters which are reserved for them, delegated the day-to-day operational running of the Company to the Chief Executive Officer. The CEO is responsible to the Board and is able to delegate aspects of his own authority, as permitted, to members of the Management Committee (see page 9).

KEY ROLES AND RESPONSIBILITIES

There are clear divisions of responsibilities between the roles. The roles of the Chairman and other Board members are set out below.

Chairman

- Primarily responsible for leadership of the Board and promoting the highest standard of corporate governance
- Sets the Board meeting agendas to ensure that the Board devotes its time and attention to the right matters
- Ensures that systems are in place to provide directors with accurate, timely and relevant information and keep them advised of key developments to enable the Board to operate effectively
- Facilitates Board discussions and ensures that discussions are conducted in an open and professional manner
- With the Company Secretary and CEO, takes the lead in providing a proper and comprehensive induction programme for new directors.

Chief Executive Officer

- Manages the day-to-day operations of the Company in accordance with the strategy and long-term objectives approved by the Board, supported by the Management Committee, which he chairs, the members of which are set out on page 9.
- Provides leadership and direction to implement strategy in accordance with the goals and objectives set by the Board.

Non-Executive Director

- Brings independent and external dimension to the Board's activities
- Effectively and constructively challenges management
- Helps develop strategy and monitor its success within the risk appetite and control framework set by the Board
- Oversees risks and controls
- Reports on performance
- Provides remuneration and succession planning for executive directors.

Company Secretary

- Ensures that Board procedures are followed and reviewed regularly
- Has the responsibility in law to ensure that each Board member is made aware and provided with guidance as to their duties, responsibilities and powers.

BOARD CHANGES DURING THE YEAR

There were a number of changes to the composition of the Board during the year. The founding Chairman of the Board, Joseph Sanusi, CON, retired as the Chairman of the Board of Directors with effect from 30 September 2014, and Umar Yahaya was appointed as the Chairman in his stead. Muhammadu Ibrahim, OFR, retired as a non-executive director of the Company, also with effect from 30 September 2014. During the year, Ijeoma Jidenma resigned from the Board, while Ijeoma Nwogwugwu and Philip Olufunwa were appointed as directors.

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MAKING BOARD MEETINGS MORE EFFECTIVE

The Board meets quarterly, while additional meetings are convened as and when required. The core activities of the Board are carried out in the scheduled meetings of the Board and its committees. Extraordinary meetings are arranged to consider matters which require decisions outside the scheduled meetings. In 2014, a total of seven Board meetings were held.

All directors are provided with notices, agenda and meeting papers in advance of each meeting, and where a director is unable to attend a meeting, he/she is provided with the relevant papers for the meeting. Such directors reserve the right to discuss with the Chairman matters he/she wishes to raise at the meeting, or can attend the meeting via conference call.

The executives report on significant projects and events. In addition, regular reports are provided, including financial information and strategy progress reports. At each scheduled Board meeting, the Chairmen of the various committees report on their activities following the committee meetings. There is no strict rotation policy. Changes in committee assignments are made based on needs, director experience and availability.

During each meeting the planned agenda ensures all necessary matters are covered and allows sufficient time for debate and challenge, particularly on areas such as strategy and risk. The Board also takes time to review past decisions where necessary. The number of identified issues and, above all, the intricacies of the issues, largely determine the duration of meetings. The meetings take an average of three hours per session, but could take longer to allow for in-depth discussions on pertinent issues. Board memoranda are dispatched in advance to enable directors to have adequate time to review and prepare for meetings. Management Committee members are in attendance at Board committee meetings to provide the Board with better insight into the daily operations of the Company.

BOARD DISCUSSIONS

In the course of 2014, the Board considered all relevant matters within its remit, but focused in particular on the following key issues as depicted in the diagram below:

During the year, greater focus was placed on the various strategic objectives set out for improved operational effectiveness and customer matters, towards achieving our vision of being the 'custodian of first choice'.

Strategy and planning

- Considered our progress against the Company's three-year strategic and operating plan, and the implications for the long-term sustainability of our business and organisational model
- Reviewed the performance scorecard from customers for improved performance in line with our strategy objectives.

Budget and performance oversight

- Periodically reviewed the Company's performance against the annual approved budget and Group expectations
- Focused on the Company's performance vis-à-vis competition in terms of cost efficiency and robust growth
- Approved the 2015 budget.

Operating environment

- Assessed the challenges posed by our competitors and the implication for our Company's intent to be the market leader
- Considered and advised on the appropriate response to key regulatory changes in the pension industry as they affect our business.

Risk, governance and compliance

- Maintained oversight on effective risk management, compliance and internal control, to guide against loss, avoid regulatory sanctions, ensure customer satisfaction and safeguard the Company's assets
- Reviewed the outcome of the Board evaluation process, and discussed and agreed the process against the 2013 Board evaluation.

Organisational design, capacity and succession planning

- Reviewed the business values and culture, ensuring that they remain relevant and core to the business
- Discussed the composition and succession of the Board, its committees and employee succession planning
- Employee engagement within the organisation.

Board development

- Board evaluation
- Code of conduct and FPCNL values.

ACTION PLAN FOR 2015

- Focus on driving performance, reviewing key performance indicators and benchmarking against competition
- Ensure appropriate discussions around business and strategic risks
- Continue to develop succession planning, gaining insights into high-potential individuals and their development in our business
- Follow up the operating environment and be ready for changes.

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ATTENDANCE AT BOARD MEETINGS

There were seven meetings this year, including extraordinary meetings called to discuss matters that could not wait until the next scheduled Board meeting. Where a director is unable to attend a meeting, the Chairman discusses the matter with the director and obtains their proposed recommendations/thoughts. He also represents their view at such meetings.

The directors' attendance at Board meetings is shown in the table below:

Name	Attendance
CHAIRMAN	
Umar Yahaya (Appointed 1 October 2014)	5 of 7
Joseph Sanusi, CON (Retired effective 30 September 2014)	5 of 7
EXECUTIVE	
Kunle Jinadu	7 of 7
NON-EXECUTIVE	
Muhammadu Ibrahim, OFR (Retired effective 30 September 2014)	5 of 7
Ijeoma Jidenma (Resigned effective 24 March 2014)	2 of 7
Bayo Odeniyi	7 of 7
Urum Eke, MFR	7 of 7
Ijeoma Nwogwugwu	4 of 7
Philip Olufunwa	2 of 7

Attendance is expressed as number of meetings attended out of the total meetings scheduled for the year.

COMMITTEE REPORTS

The Board is responsible for ensuring leadership through effective oversight and review, while setting the strategic direction and delivering long-term sustainable shareholder value.

To assist the Board in carrying out its functions and provide independent oversight of the internal control and risk management framework, the Board delegates certain responsibilities to its committees. Each of the committees is chaired by an experienced Chairman.

The powers and responsibilities of the committees are established in the applicable Committee Charter, which sets out the clear terms of reference of matters reserved for the Board's decision and of its committees. To support discussion and decision-making, committee members are provided with information in a timely manner in a form and of a quality to enable them to discharge their duties appropriately. The Board is kept up to date on the activities of the committees through formal reports from the committee Chairmen at each Board meeting.

The composition of the various committees changed during the year arising from the changes on the Board.

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Bayo Odeniyi Chairman,
Board Audit, Risk & Compliance Committee

BOARD AUDIT, RISK & COMPLIANCE COMMITTEE

The Board of Directors delegated to the Board Audit Risk & Compliance Committee (BARAC), the governance responsibilities that go beyond the oversight of financial reporting, but also the oversight and continuous monitoring of the activities of the Audit, Risk & Compliance department of our company.

The purpose of the BARAC is to assist the Board in fulfilling its oversight responsibility in relation to:

- integrity of the financial statements and financial reporting process;
- identification, assessment and management of the array of risks facing the Company;
- evaluation of the independence and performance of the external and internal audit function;
- effectiveness of the system of internal controls, accounting and operating procedures; and
- ensuring compliance with legal and regulatory requirements.

To achieve this, we performed the following functions:

- advised and made recommendations to the Board and directed Management on matters pertaining to the internal audit, risk and compliance functions as the Committee considered necessary or appropriate;
- considered the effectiveness of risk management arrangements;
- monitored the implementation of the approved Plans for Compliance, Internal Control and Internal Audit on a quarterly basis;
- requested special reports from Internal Audit & Compliance as considered appropriate;
- assessed the outcome of the audit process, having regard to findings, recommendations and management responses;
- assured the independence of the audit, risk and compliance functions and the external auditors; and
- assessed the implementation of agreed corrective actions by management, having regard to follow-up audits.

Committee composition

It is noteworthy that there was a change in the BARAC structure during the year under review. Alhaji Muhammadu Ibrahim (non-executive director) who held the position of the Chairman of the BARAC retired from the Board on 30 September 2014 and hence from the committee.

Similarly Dr Ijeoma Elizabeth Jidenma resigned from the Board and the committee on 21 March 2014.

Ijeoma Adanma Nwogwugwu and Dr Philip Bandele Olufunwa were appointed non-executive directors effective 20 March 2014; PenCom approval of the appointments was received 27 June 2014 and 30 September 2014 respectively.

The composition of BARAC as at 31 December 2014 was:

- Bayo Odeniyi – Chairman;
- Ijeoma Nwogwugwu – non-executive director;
- Philip Olufunwa – non-executive director; and
- Kunle Jinadu – Managing Director/Chief Executive Officer.

Review of the year

During the year ended 2014, the Committee held four meetings and approved plans for the Audit Risk & Compliance department among other reports, policies and framework submitted for consideration. The BARAC ensured that all approved reports, plans, policies and frameworks were in line with internal policies and regulatory requirements.

Notable activities in 2014

The year witnessed some events in the pension industry that are worthy of note.

- The National Pension Commission marked the 10th year anniversary of the reform of the pension industry.
- The World Pension Summit was held in Abuja, Nigeria, as part of the centenary celebration to mark the 10th year anniversary.
- The Pension Reform Act 2014 was enacted to repeal the Pension Reform Act 2004, which made notable changes to pension industry activities in the country.
- The Acting Director General, National Pension Commission, was confirmed as a substantive Director General of the National Pension Commission.
- The Nigerian Police Force was approved by the National Pension Commission to conduct the business of a Pension Fund Administrator under the Pension Reform Act 2014.

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Key areas of focus in 2014

In performing its tasks the BARAC ensured:

- deepening engagement on governance controls, particularly risk management;
- review and approval of plans and programmes for audit, risk, compliance and internal control functions;
- oversight of the Compliance and Internal Audit function's implementation in accordance with the Revised Framework and Compliance Process Policy approved by the Board of Directors;
- development of the Rule Book to effectively monitor the internal policies and regulations, rules, guidelines and framework of the National Pension Commission and other regulatory bodies; and
- strict compliance to the Pension Reform Act 2014 as enacted in 1 July 2014.

ROLES OF THE COMMITTEE

Audit committees are the cornerstone of a successful and credible financial reporting system. To this end, the BARAC ensures the integrity and confidence of the Company's financial statements and continuously monitors the audit, risk, internal control and compliance processes.

The Committee carried out its functions in line with the Board, Audit, Risk & Compliance Committee Charter within the framework of governance principles and practices established by the Board of Directors. The operating challenges due to the growth of the pension fund, introduction of the New Pension Reform Act 2014 and other circulars were other reasons for the Commission to increase efforts at discharging its oversight functions.

Financial reporting

The Committee ensured that the Company complied with the provision of the relevant accounting standards and policies in the preparation of its financial statements, and is satisfied with the report of the external auditors on the financial statements of the Company.

Internal audit

As part of the Committee's responsibility to ensure a sound internal audit process, the Committee reviewed and approved the audit plan and programme of the Company at the beginning of the financial year and ensured that it was adequate and relevant. The Committee assessed the resources devoted to the internal audit functions and ensured that they were sufficient for the assigned tasks.

Internal audit reports are prepared by the Internal Audit unit of the Company and submitted to the Committee every quarter for review. The reports highlight the internal audit findings, control issues observed and management responses to the issues. The Committee ensured that the issues raised were resolved by management in a timely manner.

External audit

It is the responsibility of the Committee to approve the selection of external auditors and ensure that they independently deal with the Company's financial statements.

We are satisfied with the performance of our external auditors, Akintola Williams Deloitte, and confirm that they are independent in issuing their opinion of the Company's financial statements.

Internal controls, risk and compliance

The Committee's role is to ensure that the Company operates sound and effective internal control processes and compliance with regulatory dictates. This is done by approving internal control and compliance plans at the beginning of the financial year. We also reviewed specific control issues and received regular reports on regulatory compliance as well as risk management across the Company.

We confirm that, at the end of the financial year ending December 2014, the Company has made great efforts to improve its control, risk and compliance functions.

AHEAD FOR 2015

- Review and approve plans and programmes for audit, risk, compliance and internal control functions
- Review internal audit, control, risks and compliance reports every quarter and ensure timely resolution of issues raised
- Continue the focus on training via formal training sessions and information bulletins on issues that are relevant
- Enhance the level of information provided to and interaction with stakeholders.

With the introduction of the Pension Reform Act 2014 and the confirmation of the Director General, National Pension Commission, we look forward to continued development and expansion of the Pension Industry in the electoral year.

Membership and attendance

The Committee met five times and details of Committee membership during the year and attendance at meetings are set out below. Attendance is expressed as the number of meetings attended out of the number for the individual director during the year to 31 December 2014.

Name	Attendance
CHAIRMAN	
Bayo Odeniyi	5 of 5
Muhammadu Ibrahim, OFR (Retired effective 30 September 2014)	4 of 5
EXECUTIVE	
Kunle Jinadu	5 of 5
NON-EXECUTIVE	
Ijeoma Nwogwugwu	1 of 5
Philip Olufunwa	0 of 5
Ijeoma Jidenma (Resigned effective 24 March 2014)	2 of 5
IN ATTENDANCE	
Tunde Folayan	5 of 5
Bunmi Aderonmu	1 of 5
Wole Fanimokun	1 of 5

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Uk Eke, MFR Chairman, Board Finance & General Purpose Committee

BOARD FINANCE & GENERAL PURPOSE COMMITTEE

The Board Finance & General Purpose Committee (BFGP) comprises two non-executive directors, the CEO and the Chairman. The composition of the Committee changed during the year after changes to the Board.

The Committee was created to oversee the Company's financial strategy and structure with a view to recommending appropriate financial policies and measures to enhance the financial health of the Company. It is also responsible for the execution of Company strategy, staff welfare issues and aligning IT with the business mandate and overall strategy.

In connection with its duties, the Committee is also authorised by the Board to take such independent advice, at the Company's expense, as it considers necessary.

As part of the effort to ensure the efficiency of the Board committees, the Information & Telecommunications Steering Committee was subsumed under the BFGP with a new Charter which clearly spelt out its terms of reference.

ACTIVITIES IN 2014

- Received and considered quarterly management accounts and other financial statements as requested
- Considered extra-budgetary expenditure proposals
- Considered the modified staffing structure, policies and procedures in addition to adjustments to conditions of service and compensation
- Reviewed the Committee's charter.

FOCUS FOR 2015

- Review of the implementation status of the three-year strategic plan and 2015 approved budget
- Review of executive management structure and positioning for fit
- Review and approve the revalidated IT policy documents
- Ensure continued alignment between the Company's three-year strategic objectives and technology plans.

Membership and attendance

The Committee met six times and details of Committee membership during the year and attendance at meetings are set out below. Attendance is expressed as the number of meetings attended out of the number for the individual director during the year to 31 December 2014.

Name	Attendance
CHAIRMAN	
Urum Eke, MFR	6 of 6
Umar Yahaya (Appointed Chairman, Board of Directors 1 October 2014)	5 of 6
EXECUTIVE	
Kunle Jinadu	6 of 6
NON-EXECUTIVE	
Ijeoma Jidenma (Resigned effective 24 March 2014)	1 of 6
Bayo Odeniyi	6 of 6
Ijeoma Nwogwugwu	2 of 6
IN ATTENDANCE	
Bunmi Aderonmu	5 of 6

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Philip Olufunwa Chairman, Board Governance Committee

BOARD GOVERNANCE COMMITTEE

The Board Governance Committee (BGC) is responsible for the oversight of overall Board effectiveness and governance issues, monitoring corporate governance developments and emerging best practice. It has oversight of all matters relating to corporate governance, bringing any issue to the attention of the Board. It oversees and reviews Board and executive succession and appointment procedure.

The BGC comprises two non-executive directors and the Chairman. The composition of the Committee changed during the year after changes on the Board. The Committee met twice in 2014. The Chief Executive Officer was in attendance at the meetings.

During 2014, the BGC recommended for the Board's approval the appointment of two new non-executive directors, Ijeoma Nwogwugwu and Philip Olufunwa. Also, the appointment of the new Chairman was recommended for approval upon the retirement of the erstwhile Board Chairman, Joseph Sanusi, CON, and a non-executive director, Muhammadu Ibrahim, OFR.

The Committee invited the executive director to attend its meetings to discuss succession plans for executive directors and non-executive directors.

In addition to the above, the BGC reviewed its terms of reference to ensure alignment with best practice.

ACTION PLAN FOR 2015

- Review of the director succession planning policy
- Review of the director remuneration policy to ensure compliance with best practice
- Review of ongoing knowledge and training for all directors
- External Board evaluation
- Active participation in relevant regulatory consultations.

Finally, I would like to confirm that my priority as Chairman of the Governance Committee is to ensure that the Company has strong leadership and the Committee will continue to align with this objective.

Membership and attendance

During 2014, the Committee met twice and details of members who attended can be found in the table below. Attendance is expressed as the number of meetings attended out of the number applicable for the individual director during the year to 31 December 2014.

Name	Attendance
CHAIRMAN	
Philip Olufunwa	0 of 2
Appointed 15 July 2014	
Joseph Sanusi, CON (Retired effective 30 September 2014)	1 of 2
NON-EXECUTIVE	
Muhammadu Ibrahim, OFR (Retired effective 30 September 2014)	1 of 2
Bayo Odeniyi	2 of 2
Urum Eke, MFR	1 of 2
IN ATTENDANCE	
Kunle Jinadu	2 of 2
Ijeoma Nwogwugwu	1 of 2

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MANAGEMENT COMMITTEE

Led by the Chief Executive, the Management Committee (MANCO) comprises the senior management staff of the Company. It is responsible for making day-to-day management and operational decisions necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board. The Committee identifies, analyses and makes recommendations on risk arising from the day-to-day activities of the Company.

The Committee provides inputs for the respective Board committees and also ensures that recommendations of the Board and Board committees are effectively and efficiently implemented. The Committee meets as frequently as necessary to take action and decisions within the confines of its powers. The Committee officially met 24 times in 2014, but the members interact much more regularly. Non-members of the Committee attend Committee meetings by invitation to ensure that knowledge is shared and every member is kept up to date with business activities and developments.

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Effectiveness

The Board's performance is independently reviewed on a regular basis to ensure the Board remains focused and meets targets for future improvement.

BOARD COMPOSITION

The Board currently comprises five non-executive directors and one executive director. The Board is headed by a Chairman who is elected from the non-executive directors. The combination of personalities on the Board provides a good range of perspectives and challenges. The Board and its committees have the appropriate balance of skills, experience, independence, commitment and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. The Board is of sufficient size and retains an appropriate mix, such that no individual or group of individuals can dominate its decision-making.

Strategy, performance, responsibility and accountability are at the heart of our Board's discussions.

Details of the current directors of the Company and summaries of the experience and perspectives that they bring to the Board are set out on pages 26–27.

TRAINING DIRECTORS' INDUCTION

Upon election, directors receive a comprehensive Directors' Information Pack and are briefed thoroughly on their responsibilities and the business with a tailored induction programme. The Chairman ensures that ongoing training is provided for directors by way of presentations and circulated updates at Board and Board committee meetings. Ongoing director education remains a focus. As the internal and external business environment changes, it is important to ensure the directors' skills and knowledge are refreshed regularly. The directors are kept abreast of all applicable regulations and changes to rules, standards and codes. Non-executive directors may request further information as they deem necessary.

Ijeoma Nwogwugwu and Philip Olufunwa were inducted during the year.

CONTINUOUS DEVELOPMENT

Training and education of directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills, The Board received information throughout the year on current business and emerging issues in the Company's business and operating environment.

REMUNERATION

We continue to align our remuneration arrangements with the Company's strategic priorities. The Company's policy on remuneration of non-executive directors supports the business drivers, corporate vision and strategic priorities of the Company.

BOARD APPRAISAL

The annual Board evaluation provided the Board and Board Committees with important insights and enabled us to assess individual contributions and areas of improvement. To ensure the best coporate governance practices, the Board engaged an Independent Consultant, KPMG Advisory Services, to carry out an appraisal of the Board of Directors for the year ended 31 December 2014. The appraisal focused on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

The Independent Consultant adjudged the performance of the Board as satisfactory and found existing corporate governance practices are in compliance with the provisions of the National Pension Commission Code.

TENURE OF DIRECTORS

The Board believes it is important to maintain an appropriate balance between length of service, independent judgement and an appropriate level of experience and skill. The non-executive directors are appointed for an initial term of three years, and can be re-elected for a maximum of two subsequent terms of three years each, subject to satisfactory performance. Hence, the maximum tenure of non-executive directors is nine years, subject to a retirement age of 70 years.

Executive directors are appointed for an initial term of three years and the contract can be renewed for another three years, subject to the performance of the director.

As at year end, the average length of service of the current non-executive directors is 2.2 years.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The Board has the power to obtain advice and assistance from independent or outside professional advisors and experts as it deems necessary or appropriate to carry out its duties effectively, and to retain the same at the Company's expense, subject to the prior approval of the Chairman. This option was exercised during the year by the engagement of a consultant to conduct a staff mix-and-fit assessment exercise. An external consultant was also engaged for the annual Board evaluation process.

ACTION PLAN FOR 2015

During the year 2015, the Board is committed to:

- continuing to ensure appropriate debate and clarity around key business and strategic risks, and around our risk approach;
- focusing on driving performance, reviewing performance indicators and benchmarking; and
- continuing to develop our succession planning and gain insights into high-potential individuals and their development in business.

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Accountability

RISK MANAGEMENT

RISK MANAGEMENT PHILOSOPHY

The management of risk has always been a fundamental element of the Company's strategic business execution. FPCNL's risk management approach is guided by an approved enterprise-wide risk management methodology and philosophy to ensure adequate and effective risk management. In addition, the methodology also provides regulatory principles that, together with the risk management approach, will continue to ensure optimum return on the parent Company's investment through the application of the following core principles:

- clear assignment of responsibility and accountability;
- common enterprise-wide risk management framework and process;
- identification of uncertain future events that may influence the achievement of business plans and strategic objectives;
- integration of risk management activities within the Company and across its value chain; and
- reporting risks openly and fully to the appropriate levels once they are identified.

RISK CULTURE

- The Board and management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of the Company are not endangered while expanding the Company's market share
- The responsibility for risk management at FPCNL is fully vested in the Board of Directors, which delegates the same to management
- The unit heads are responsible for identifying and assessing risk within their respective business units
- The Company pays adequate attention to both quantifiable and unquantifiable risks
- The management promotes awareness of risk and risk management across the Company.

RISK APPETITE

Risk appetite is an expression of the maximum level of residual risk that the Company is prepared to accept in order to deliver its business objectives. It is an important element in the management of risk. The appropriate level of acceptable risk is contained in FPCNL's approved enterprise risk management framework.

The Company's risk appetite is primarily characterised by a clear risk strategy, monitoring and reporting procedure. This provides the foundation of identifying potential deviation from our risk tolerance in a timely manner. The objective of this is to maintain risk at acceptable levels and avoid transactions/portfolios that will negatively impact our system and industry at large.

RISK MANAGEMENT OVERSIGHT

Effective oversight by the Company's Board of Directors is critical to a sound risk management process. Accordingly, the Board of Directors has approved the overall policies and enterprise risk management framework of the Company in ensuring that management takes the steps necessary to identify, measure, monitor and control these risks. The Company's Audit, Risk & Compliance department monitors and coordinates the management of risks across functional units of the Company.

The Internal Control unit performs first-level and continuous independent verification/testing of control measures put in place to manage all risks across the Company.

The Internal Audit unit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified to the Board on a quarterly basis.

RELATIONSHIP OF THE RISK MANAGEMENT UNIT (RMU) WITH STAKEHOLDERS

Other units provide relevant data to the RMU for risk identification, monitoring and reporting, and then the RMU provides a framework for managing such risks in line with agreed risk philosophy and appetites. The RMU:

- performs Company-wide risk assessment, monitoring and reporting;
- coordinates activities to provide a holistic view of risks across the Company; and
- makes recommendations with respect to rewards/sanctions based on risk reports.

The IT support team provides relevant user support to the audit, risk, internal control and compliance functions in respect of the various audit, control and compliance monitoring software.

Relationships of risk management with other stakeholders

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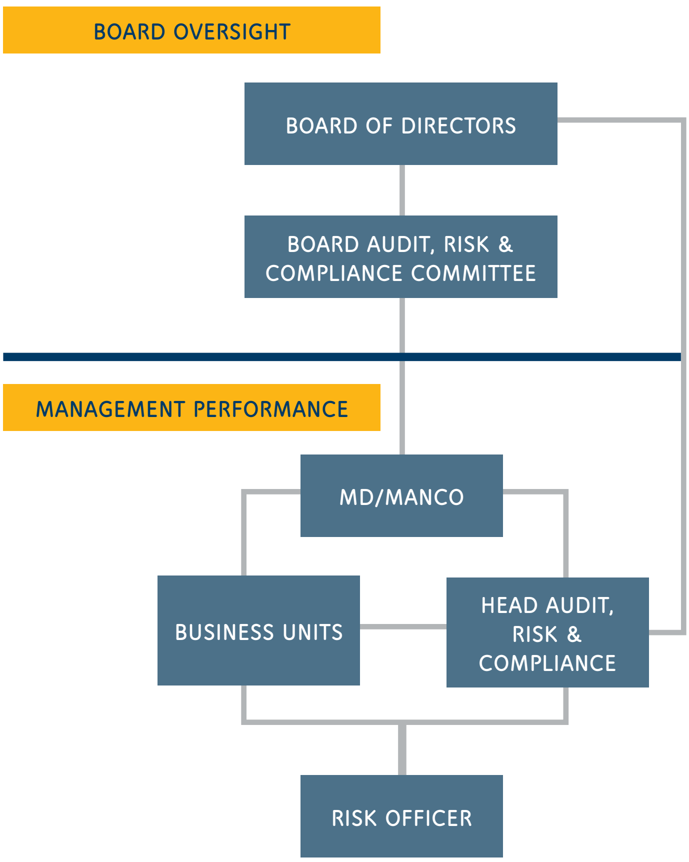
RISK MANAGEMENT GOVERNANCE & FRAMEWORK

The risk governance structure provides the Board and management, through various committees, with a platform to evaluate and debate key risks faced by the Company and to assess the effectiveness of risk responses through the risk profiles received. The Board is ultimately responsible for the operations and financial soundness of the Company. In partial fulfilment of that responsibility, the Board approves the overall business strategy, which includes the overall risk policy and management of procedures. Management is responsible for overseeing the day-to-day management of the Company.

The FPCNL risk management governance framework is outlined in the diagram below:

Risk management governance framework



ROLES AND RESPONSIBILITIES

Board of Directors

- Approves and periodically reviews risk strategy and policies
- Approves the Company's risk appetite annually and monitors the risk profile against this appetite
- Ensures management takes steps necessary to monitor and control risks
- Ensures management maintains an appropriate system of internal control and reviews its effectiveness
- Ensures risk strategy reflects the Company's risk tolerance
- Reviews and approves changes/amendments to the risk management framework
- Reviews and approves risk management procedures and control for new products and activities
- Periodically receives risk reports from management highlighting key risk areas, control failures and remedial action steps taken at least once every quarter
- Ensures that the Company implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk
- Ensures that detailed policies and procedures for risk exposure creation, management and recovery are in place.

BOARD AUDIT, RISK & COMPLIANCE COMMITTEE

The primary role of the Committee is to report to the Board and provide appropriate recommendations on matters relevant to risk management, compliance and internal audit. The Committee is made up of one executive and three non-executive directors, with a non-executive and independent director as Chairman. The Chief Risk Officer (CRO) reports to this Committee and is a non-voting member.

MANAGEMENT COMMITTEE

For all categories of risk, the Management Committee (MANCO) is responsible for formulating policies, monitoring implementation and reviewing risk reports for presentation to the Board and Board committees as well as implementing Board decisions across the Company.

To be more specific, the MANCO is responsible for:

- implementing risk strategy approved by the Board of Directors;
- establishing and maintaining an effective risk management environment in the Company;
- developing policies and procedures for identifying, measuring and controlling risk;
- providing appropriate resources to evaluate and control risk;
- reviewing risk reports on a regular and timely basis; and
- providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.

KEY RISK INDICATORS

The FPCNL has a comprehensive key risk indicator (KRI) in place which provides a veritable tool for early identification of increasing risk exposures and/or deviations concerning inherent risk of all business units. The KRI dashboard therefore represents a snapshot of risk events essential for the effective monitoring and control of risks, in conformity with the Company's risk appetite.

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INTERNAL CONTROL

OVERVIEW

Internal control at FPCNL refers to the overall operating framework of practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions that exist in the Company. It is designed to ensure:

- compliance with applicable laws and regulations including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events that could affect assets under custody will be prevented or detected and corrected.

FPCNL is committed to creating and maintaining a world-class internal control environment that is capable of sustaining its current leadership position in the pension industry.

INTERNAL CONTROL STRATEGY

Internal control is one of the principal means by which risk is managed. Other devices used to manage risk include the transfer of risk to third parties, sharing risks, contingency planning and withdrawal from unacceptable risky activities. FPCNL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To effectively manage these risks, FPCNL has put in place internal control measures that cover all business units in the Company. These include:

- verification and authentication of all client instructions by call-back confirmation and signature verification based on previously received mandates;
- independent reviews of all processed instructions by control and audit staff;
- independent checks on all transactions by the Compliance unit; and
- sending account activity to clients daily to aid regular monitoring of inflow and outflow into clients' accounts.

INTERNAL CONTROL POLICIES

FPCNL has a policy standard that ensures that the organisation's intangible resources such as reputation and intellectual property are protected and reduces exposure to operational risks as well as ensuring compliance to local laws, regulations and organisational policies.

The policy sets out procedures to protect the organisation's assets against loss or misuse and to ensure that all transactions are properly authorised thereby preventing fraud and errors.

Corporate policy standards FPCNL relating to internal controls include:

- controlling and limiting access to resources and records to only authorised individuals;
- an effective maker-checker process whereby no individual starts and concludes a transaction process;
- expenditure limits set and controlled to ensure transparency in disbursement of Company funds; e.g., Company cheques are signed by two signatories and there are expenditure approval limits;
- business units documenting all transactions and making the registers and/or files available for examination;
- business units managing transactions and other significant events by recording transactions promptly;
- only persons acting within the scope of authority allowed to authorise and execute transactions;
- clear segregation of duties;
- a training plan that ensures all members of staff are trained annually; training is achieved locally, internationally and on the job, and improves staff skills, knowledge of the job and internal control requirements; and
- constantly maintaining internal control awareness.

EFFECTIVENESS OF INTERNAL CONTROL

The Managing Director of the Company has overall responsibility for designing and implementing effective control. The Management Committee ensures that the controls embedded in operations are fully complied with by the staff. The Head, Audit, Risk & Compliance oversees the internal control procedures of the Company.

Effectiveness of internal control is ensured through periodic testing and review of the control systems.

OBJECTIVES OF INTERNAL CONTROL

The objective of internal control in FPCNL is to ensure the efficient implementation of the Company's strategy with effective operations, by assuring compliance with internal policy and procedures and regulations, achieving appropriate financial reporting, and preventing fraud and other misconduct.

Fraud management objectives

- Preventing fraud occurrence or losses, and where prevention is not possible, prompt detection and mitigation. Efficient fraud loss mitigation measures, i.e., rapid escalation of fraud occurrence, insurance recovery and effective management of law enforcement agencies
- Preventing repeat of operational lapses and system defects that facilitate fraud incidents
- Minimising other operational loss associated with fraud
- Automation of fraud preventive and detective measures.

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Internal control environment

FPCNL's values and management systems are the foundation of the internal control environment and provide the background for shaping people's awareness and understanding of control issues. With respect to adequate controls over processes and transactions:

- management is responsible for underlining the importance of ethical principles and adequate control over the Company's activities;
- the Board Audit, Risk & Compliance Committee, appointed by the Board of Directors, is responsible for overseeing the related control activities and issues;
- clearly defined job function roles, responsibilities and authorities provide a clear framework for everyone; and
- the structure of the organisation and the resources allocated within it are designed to provide effective control over financial reporting.

LEARNING FROM INTERNAL CONTROL FAILURE

Learning comes in various forms. FPCNL places importance on learning from mistakes and internal control failures as this helps the learning process and guides against recurrence. When control failure occurs, we take the following steps:

- review the process to identify reasons for the deviation from approved procedures;
- check if other control weaknesses can be identified;
- communicate the control weaknesses discovered to all concerned;
- proffer and agree mitigating controls;
- document and approve a new procedure for the function; and
- update the procedural manual and communicate the new information to all concerned.

COMPLIANCE WITH EXTERNAL REGULATIONS

FPCNL is committed to complying with all relevant legislation and obligations. The Company has in place a compliance process policy to ensure conformity to relevant rules, regulations and laws. Some of the policies and processes adopted to ensure compliance with external regulations are:

- identifying and documenting obligations in a compliance framework;
- allocating responsibility to the relevant operational areas for ensuring compliance with obligations;
- risk rating obligations to ensure the awareness of the risk of non-compliance and to provide a measure of any exposure;
- fostering continuous improvement in compliance processes across the Company to ensure obligations are met;
- promoting awareness among staff and management of the importance of compliance with specific obligations, as well as being committed to compliance as an organisation; and
- engaging qualified employees in the Compliance unit that monitor compliance activities across the Company and report breaches.

WHISTLE BLOWING

The Company is committed to the highest standards of openness, probity and accountability; hence the need for an effective and efficient whistle blowing process as a key element of good corporate governance and risk management.

Whistle blowing is a mechanism by which suspected breaches of the Company's internal policies, processes, procedures and unethical activities by all stakeholders (staff, clients, service providers, suppliers and pensioners) are reported for necessary actions. The reputation of the Company is of utmost importance and all staff in the Company have a responsibility to protect the Company from any persons or acts that might jeopardise its reputation.

Some of the whistle blowing measures in FPCNL are highlighted below:

- FPCNL ensures adherence to the Whistle Blowing Guideline for pension operators issued by PenCom in line with its commitment to good corporate governance and transparency;
- we periodically circulate the Whistle Blowing Guideline from PenCom to staff and encourage everyone to follow its dictates;
- Internal Control, Audit and Compliance perform independent checks on all areas and report breaches discovered to management (fortnightly) and to the Board (during the quarterly Board meetings);
- we report possible regulatory breaches of the Company and the PFA Clients discovered in the monthly exception report sent to PenCom;
- we encourage staff members to report breaches noticed to the Chief Compliance Officer;
- issues can also be reported under anonymity; and
- the Company's Head, Audit, Risk &Compliance is responsible for monitoring and reporting on whistle blowing.

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Directors' Report

The directors present their annual report on the affairs of First Pension Custodian Nigeria Limited (the Company), together with the financial statements and auditors' report for the year ended 31 December 2014.

LEGAL FORM AND PRINCIPAL ACTIVITY

The Company was incorporated on 12 August 2005 while the operating licence was obtained on 7 December 2005.

The principal activity of the Company is to act as a Custodian of pension fund assets in accordance with the Pension Reform Act 2014, or any amendment or re-enactment thereof for the time being in force.

OPERATING RESULTS

First Pension Custodian's profit for the year after taxation amounted to ₦1.71 billion (31 December 2013: ₦1.50 billion)

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

Umar Yahaya – Chairman
(Appointed effective 1 October 2014)

Joseph Sanusi, CON – Chairman
(Retired effective 30 September 2014)

Kunle Jinadu – Managing Director/CEO

Muhammadu Ibrahim, OFR – Non-executive director
(Retired effective 30 September 2014)

Ijeoma Jidenma – Non-executive director
(Resigned effective 24 March 2014)

Bayo Odeniyi – Non-executive director

Urum Eke, MFR – Non-executive director

Ijeoma Nwogwugwu – Non-executive director
(Appointed effective 30 April 2014)

Philip Olufunwa – Non-executive director
(Appointed effective 15 July 2014)

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the existing directors has notified the Company of any declarable interests in contracts with the Company.

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment, is given in note 14 to the financial statements. In the director's opinion, the market value of the Company's properties is not less than the value shown in the financial statements.

DIVIDEND

During the period under review, the Board of Directors paid an interim dividend of ₦0.25k per ordinary share on the issued share capital of 2,000,000,000 ordinary shares of ₦1 each.

The directors recommend the payment of final dividend of ₦0.18k per ordinary share of ₦1, bringing the total dividend for the financial year ended December 31 2014 to ₦0.43k (2013: ₦0.25k).

HUMAN RESOURCES

- **Employment of disabled persons** – It is the policy of the Company that there should be no discrimination in considering applications for employment, including those from disabled persons. As at 31 December 2014 there was no disabled person in the employment of the Company.
- **Health, safety and welfare at work** – Health and safety regulations are in force within the premises of the Company. Fire prevention and fire-fighting equipment is installed in strategic locations within the Company's premises.

  The Company operates both Group Personal Accident and the Workmen's Compensation Insurance cover for the benefit of its employees. It also operates a contributory pension scheme in line with the Pension Reform Act 2014, as well as a terminal gratuity scheme for its employees.
- **Employees' training and development** – The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress, and seeking their views wherever practicable on matters which particularly affect them as employees.

  In accordance with the Company's policy of continuous development, employees of the Company attend both in-house and external courses. These are complemented by on-the-job training.
- **Diversity in employment** – The Company is committed to conducting business in a positive, professional manner by consistently ensuring equal employment opportunity.

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The average number of employees of the Company during the year by gender and level is given in the table below.

Employees

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Employees	39	19	58	67%	33%

Board and top management staff

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Board members (executive and non-executive)	7	2	9	78%	22%
Top management (principal manager – general manager)	3	1	4	75%	25%
	10	3	13	77%	23%

AUDITORS

The auditors, Messrs Akintola Williams Deloitte, have indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act 1990. A resolution will be proposed at the Annual General Meeting to approve the appointment of the auditors and authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD

Ugochukwu Uzoukwu
Company Secretary
FRC/2014/NBA/00000006686
35, Marina, Lagos

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RISK FACTORS

Risk is at the heart of custody business. FPCNL attaches a great deal of importance to the proper identification and management of risks, which is a foundation for a long-lasting financial institution.

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Chief Risk Officer's Report

Tunde Folayan Chief Risk Officer

INTRODUCTION

Risk is at the heart of custody business. FPCNL attaches a great deal of importance to the proper identification and management of risks, which is a foundation for a long-lasting financial institution. The Company's strong enterprise risk management practice is the bedrock of its commitment to continually enhance the Company's value in strict adherence to the risk appetite as set by the Board while considering the wider interest of other stakeholders including contributors, pensioners and regulators.

The tone for a responsive and accountable risk management culture at FPCNL is set at the Board level and flows down through management to each employee of the Company. The Company continues to adopt a holistic and integrated approach to risk management by bringing all risks together under either one or a limited number of oversight functions. During the course of the 2014, the Company avoided products, markets and businesses where it could not objectively assess and manage their associated risks.

MAJOR EVENTS IN THE PENSION INDUSTRY

In 2014, the Nigerian Pension industry experienced some fundamental changes including:

- the release of the Pension Reform Act 2014 (PRA 2014);
- confirmation of the Acting Director General of PenCom as substantive Director General;
- an operating licence granted to the Nigeria Police Force (NPF) Pensions by PenCom as the 21st Pension Fund Administrator (PFA) in Nigeria; and
- Nigeria hosted the World Pension Summit Africa Special on 7 and 8 July 2014, in Abuja, bringing together pension stakeholders and investors from all over the world.

The signing into law of the 2014 Pension Reform Bill by the President on 1 July 2014 gave effect to the Pension Reform Act 2014 (PRA 2014) repealing the Pension Reform Act 2004 (PRA 2004) No. 2. Some of the key highlights of the new Pension Reform Act 2014 (PRA 2014) are as follows:

- prescribing 10 years as a jail term for pension scammers;
- reducing the minimum number of employees required of a private firm to join the contributory pension scheme from five to three;
- increasing the rate of contribution for employees and employers from 7.5% each to a minimum of 8% and 10%, respectively;
- specifying that all interests, dividends, profits, investments and other income attributable to pension funds and assets are tax exempt; and
- Section 89(2) of the Act provides that a Pension Fund Administrator (PFA) may, subject to the guidelines issued by the Commission, apply a percentage of the balance in a Retirement Saving Account (RSA) towards the payment of the equity contribution in a mortgage scheme entered into by the holder of an RSA.

Furthermore, a key highlight for the Company is the appointment of FPCNL as the custodian to the Nigeria Police Force (NPF) pensions fund. This new entrant into pension fund administration is expected to receive the transfer of over ₦200 billion pension contributions of all the officers of the Nigeria Police from the other PFAs managing the fund.

The National Pension Commission (PenCom) had mandated risk management and reporting for all pension operators in Nigeria via its Guidelines on Risk Management Framework for Licensed Pension Operators. To this end, FPCNL fully identified and assessed the risks associated with major processes and activities in the year 2014.

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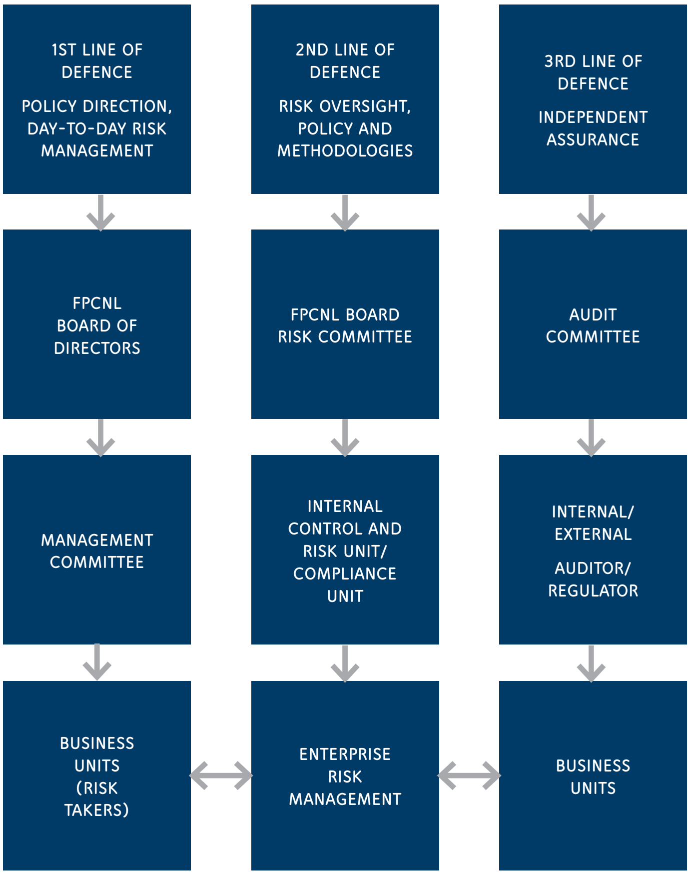
RISK MANAGEMENT APPROACH

In order to mitigate the risk affecting the business, the Company set up a robust risk management process with the objective to ensure early identification of risks associated with the Company's activities. During the year, the company engaged KPMG Professional Services to review its Compliance Risk Management Framework and develop the Rule Book for effective monitoring of the regulations, rules, guidelines impacting on the organisation and internal policies. We also reviewed, updated and approved the Company Risk Register and established Key Risk Indicators (KRIs) for all the business units to ensure timely management risk awareness. Risk management is implemented in accordance with policies approved by the Board of Directors and in line with PenCom's guidelines and best practice. FPCNL's risk management process is organised along three lines of defence, each having a distinct role. The organisation has properly segregated duties between (i) business units that interface with clients and originate the risk (ii) control staff expected to provide risk oversight and controls and (iii) internal audit to provide validation and assurance of the risk management process.

The three lines of defence are depicted in the diagram below.



SUMMARY OF KEY RISKS

The key risks to which the Company is exposed to have been identified, measured, managed and categorised accordingly. Appropriate steps to have been taken to control these major risks before they adversely affect operations and the business. The principal risks faced by the Company are defined as follows:

MAJOR RISKS FACED BY FIRST PENSION CUSTODIAN

- REGULATORY COMPLIANCE RISK
- OPERATIONAL RISK
- REPUTATIONAL RISK
- LIQUIDITY RISK
- LEGAL RISK
- INFORMATION SECURITY RISK

REGULATORY COMPLIANCE RISK MANAGEMENT

FPCNL remains committed to complying fully with both the spirit and letter of all applicable laws and regulations and to always act with care and due diligence. The risk of non-compliance with legal and regulatory requirements ranges from potential financial loss arising from regulatory sanctions, loss of business, as well as damage to the Company's reputation.

The Company identifies and mitigates these risks through continuous improvement in technology infrastructure, process revalidation and training of stakeholders to understand regulatory obligations and consequences of non-compliance. The Company has also put in place a robust compliance framework and rule book. These documents are accessible to all staff.

The Compliance unit, under the leadership of the Head, Audit, Risk & Compliance, ensures that statutory and regulatory requirements are adhered to and that breaches are promptly reported. The unit also organises compliance awareness training and periodically circulates PenCom regulations and circulars and internal policies as approved by the Board.

Although the Board of Directors of FPCNL is ultimately accountable for compliance with all internal policies, and regulatory pronouncements, the primary responsibility of adhering to regulations and standards lies with all members of staff in the conduct of transactions and other activities to which relevant regulations relate.

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OPERATIONAL RISK MANAGEMENT

Beyond complying with regulatory requirements, FPCNL has embedded robust operational risk management practice, culture and environment to engender the soundness of the institution. During 2014, the Company identified and managed different operational risks which included risks associated with contribution remittance and processing, incorrect execution of client instruction, inadequate reconciliation of stocks positions, inadequate follow-up on corporate action entitlements, alteration and other forms of fraud, failed trade, and errors in processing payments and transfers.

Internal audit/control job functions are key to effective operational risk management. The Internal Audit unit provides an independent assessment and evaluation of the Company's operational risk and ensures that business units adhere to the operational risk policies. The Internal Control unit, on the other hand, is accountable as part of its daily checks for monitoring control activities and ensuring compliance with set standards.

Key counter-measures put in place by the management of FPCNL include:

- enhanced staff training;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- continuous improvement of Company policy and processes;
- development of a whistle blowing policy to encourage staff to report unethical activities to the Chief Compliance Officer/Head, Audit, Risk &Compliance; and
- risk transfer (insurance arrangement).

REPUTATIONAL RISK MANAGEMENT

Reputational damage, whether true or not, can expose the Company to a decline in the customer base and lead to costly litigation, financial loss or reduced earnings. Reputational risk affects the Company's ability to establish new relationships or services and to continue servicing existing relationships. The Company strives to maintain quality client service and procedures, and business operations that enable compliance with regulatory rules and legislation in order to minimise the risk of a drop in the reputation of the Company. The Company also promotes sound business ethics among its employees.

During 2014, the Company did not compromise its reputation through unethical, illegal and unprofessional conduct. Also, the Company has continued to maintain zero appetite for association with disreputable individuals and entities.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Company is unable to meet its contractual and contingent financial obligations. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

The adequacy of the Company's liquidity position is determined using the following factors:

- historical funding requirements;
- current liquidity position;
- present and future earnings capacity; and
- sources of funds

The Company's liquidity management process is managed by the Head, Safekeeping & Finance, under the direct supervision of the Managing Director and in conjunction with the Management Committee. The Board Finance & General Purpose committee and the Board of Directors have an oversight responsibility in this regard.

LEGAL RISK MANAGEMENT

Legal risk is the risk of real or threatened litigation against the Company. Legal risk can cause significant costs to the Company, disrupt its operation and reduce earnings and capital. The Company manages this risk by monitoring new legislation, raising awareness of legislation among employees, entrenched sound corporate governance, and identifying significant legal risks as well as assessing their potential impact and establishing adequate mitigating controls.

The level of awareness of the need to identify, mitigate and manage legal risks in our business activities and transactions continues to improve. Legal risk has been well managed and there has been no incident of litigation directly involving the Company.

INFORMATION SECURITY RISK MANAGEMENT

As part of the integrated risk management approach, the Company strengthened its information technology (IT) to ensure the confidentiality, integrity and availability of its information assets.

One area of operational risk involves the use of information and communication technology (ICT) systems and other infrastructure in the conduct of business. In the case of a disaster, either natural or man-made, which may render existing buildings and/or infrastructures inoperable, contingency plans are on ground to mitigate such events. To this end, the Company is able to run operations from a disaster recovery site not in the main office. This alternative location is regularly tested and provides on-line replication of the main office transactions.

The Company's information security risk management framework therefore ensures that information assets are protected at all times. This responsibility is shared by management and all staff through programmes targeted at increasing staff knowledge and client protection.

Information security control is being built into all processes and procedures through the development of appropriate safeguards.

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FOCUS IN 2015

Our priorities in 2015 are to enhance the risk function and improve risk awareness within the organisation. The key strategies that will be used to drive our vision and mission are to:

- finalise the review of the enterprise risk management framework;
- review all Company policies and processes taking into consideration the new PRA 2014 and full implementation of the T24 custody application;
- finalise the review of the risk register;
- develop a conflict-of-interest policy;
- develop a related-party-transaction policy;
- recruit new staff with the competencies required to remedy identified skills gaps;
- increase attention to training, to equip staff with the skills necessary to perform effectively;
- enhance the mobility programme to ensure staff rotation, thereby renewing motivation and avoiding risks associated with monotony of activities;
- deploy asset management software to monitor investment compliance; and
- continue to emphasise the use of technology as a competitive tool.

CONCLUSION

FPCNL Nigeria Limited is committed to promoting a sound business environment through the implementation of a robust enterprise risk management framework, and to enhancing the risk culture across the organisation, with the ultimate aim of maintaining risk at acceptable levels and avoiding transactions and portfolios that are inimical to the system and industry at large. The Head, Audit, Risk & Compliance department, champions the risk matters in the organisation, fully supported by management, while the Board of Directors provides an oversight function on risk matters.

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STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The directors of First Pension Custodian Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2014, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ('IFRS') and in the manner required by the Companies & Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011 and the Pension Reform Act 2014.

In preparing the financial statements, the directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

THE DIRECTORS ARE RESPONSIBLE FOR:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2014 were approved by Board of Directors on 21 February 2015

On behalf of the directors of the Company

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Kunle Jinadu
Managing Director/CEO
FRC/2013/ICAN/00000002122

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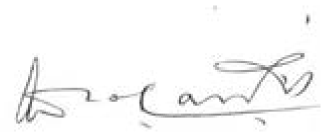
AUDIT, RISK & COMPLIANCE COMMITTEE STATEMENT

In compliance with the provisions of Section 359(6) of the Companies & Allied Matters Act 1990, we have reviewed the audit report for the year ended 31 December 2014 and state as follows:

1. The scope and planning of the audit were adequate in our opinion.
2. The accounting and reporting policies of the Company are in accordance with statutory requirements and agreed ethical practices.
3. The internal control was being constantly and effectively monitored.
4. The external auditors' management report received satisfactory response from management.



Bayo Odeniyi
Chairman, Audit, Risk & Compliance Committee
FRC/2015/VCN/00000011082
20 February, 2015

Members of the Committee

Ijeoma Nwogwugwu
Philip Olufunwa
Kunle Jinadu

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FIRST PENSION CUSTODIAN NIGERIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of First Pension Custodian Nigeria Limited which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011, Pension Reform Act 2014 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of First Pension Custodian Nigeria Limited as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act CAP C20 LFN 2004, the Pension Reform Act 2014 and the Financial Reporting Council of Nigeria Act, 2011.

OTHER REPORTING RESPONSIBILITIES

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Adebisi Jelili
FRC/2013/ICAN/00000004247

For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
5 March, 2015

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FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

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STATEMENT OF PROFIT OR LOSS

	Note	2014 ₦'000	2013 ₦'000
Custody fees	4	**3,517,904**	2,843,458
Interest income	5	**506,359**	425,220
Other income	6	**8,492**	18,428
Total income		**4,032,755**	3,287,106
Personnel expenses	7.1	**382,459**	418,269
Depreciation and amortisation		**140,421**	87,807
Directors' emoluments		**188,940**	156,409
Other operating expenses		**827,554**	598,221
Total operating expenses		**1,539,374**	1,260,706
Profit before income tax		**2,493,381**	2,026,400
Income tax expense	8	**(781,639)**	(522,773)
Profit for the year		**1,711,742**	1,503,627
Basic earnings per share (kobo)	26	**86**	75

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STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 ₦'000	2013 ₦'000
Profit for the year		**1,711,742**	1,503,627
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on post employment obligations	17	-	3,416
Deferred tax relating to components of other comprehensive income		-	(1,025)
Other comprehensive income for the year, net of tax		-	2,391
Total comprehensive income for the year		**1,711,742**	1,506,018

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 ₦'000	2013 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	994,072	1,049,236
Intangible assets	9	97,972	155,803
Deferred tax assets	16	71,981	116,868
		1,164,025	1,321,907
Current assets			
Loans and other receivables	10	501,920	421,928
Other assets	11	65,940	73,594
Investment securities	12	5,059,871	4,391,426
Cash and short-term funds	13a	209,032	102,945
		5,836,763	4,989,893
Total assets		7,000,788	6,311,800
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2,000,000	2,000,000
Other reserves		-	(17,241)
Retained earnings		3,399,011	2,690,125
Total equity		5,399,011	4,672,884
Non-current liabilities			
Retirement benefit obligations	17	90,582	343,266
		90,582	343,266
Current liabilities			
Creditors and accruals	18	461,799	480,281
Income tax liabilities	8	1,049,396	815,369
		1,511,195	1,295,650
Total liabilities		1,601,777	1,638,916
Total equity and liabilities		7,000,788	6,311,800
Pension assets under custody	19.1	1,514,882,901	1,353,076,127
Non-pension assets under custody	19.2	300,321,681	93,731,367

These financial statements were approved by the Board of Directors on 21 February 2015 and signed on its behalf by:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Kunle Jinadu
Managing Director/CEO
FRC/2013/ICAN/00000002122

Bunmi Aderonmu
Chief Financial Officer
FRC/2013/ICAN/00000001939

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STATEMENT OF CHANGES IN EQUITY

	Share capital ₦'000	Other reserves ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance as at 1 January 2014	2,000,000	(17,241)	2,690,125	4,672,884
Profit or loss for the year	-	-	1,711,742	1,711,742
Other comprehensive income or loss	-	17,241	-	17,241
Total comprehensive income or loss	2,000,000	-	4,401,867	6,401,867
Dividend paid	-	-	(1,002,856)	(1,002,856)
Total transactions with owners of the Company as at 31 December 2014	2,000,000	-	3,399,011	5,399,011

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STATEMENT OF CASH FLOWS

	Note	2014 ₦'000	2013 ₦'000
Cash flows from operating activities			
Profit for the year		1,711,742	1,503,627
Income tax charge		781,639	522,773
Profit before income tax		2,493,381	2,026,400
Adjustment for non-cash items			
Depreciation of property and equipment		82,590	71,620
Amortisation of intangibles		57,831	16,187
Withholding tax credit applied on tax payment	8	(6,665)	(3,821)
Loss on disposal of property and equipment		13,486	17,571
Gratuity scheme reserve (reversal from OCI)		17,241	-
Allowances for doubtful accounts		4,012	11,611
Employee benefit liability		(252,684)	(25,012)
Changes in operating assets and liabilities			
Other receivables		(84,004)	(97,172)
Prepayments		7,654	71,231
Creditors and accruals		(18,482)	184,374
Cash generated from operations		2,314,360	2,272,989
Income taxes paid	8	(496,060)	(492,148)
Net cash generated from operating activities		1,818,300	1,780,841
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(60,074)	(1,012,577)
Proceeds from sale of property, plant and equipment		19,161	10,723
Acquisition of intangibles	9	-	(152,235)
Purchase of investment securities	12	(877,250)	(4,121,202)
Net cash used in investing activities		(918,163)	(5,275,291)
Cash flows from financing activities			
Dividend paid		(1,002,856)	(340,000)
Net cash (used in)/generated from financing activities		(1,002,856)	(340,000)
Net (decrease)/increase in cash and cash equivalents		(102,718)	(3,834,450)
Increase in cash and cash equivalents		(102,718)	(3,834,450)
Cash and cash equivalents at start of year		373,169	4,207,619
Cash and cash equivalents at end of year	13	270,451	373,169

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NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

First Pension Custodian Nigeria Limited ('the Company') was incorporated in Nigeria, as a limited liability company on 12 August 2005. It was granted its operating licence on 7 December, 2005 to act as a Custodian of Pension Fund Assets in accordance with the Pension Reform Act 2004, or any amendment or re-enactment thereof for the time being in force.

First Pension Custodian Nigeria Limited ('the Company') is a wholly owned subsidiary of First Bank of Nigeria Limited. The ultimate parent company is FBN Holdings Plc.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements comprise the income statement, statement of other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and selected notes for the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2014.

i IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

- impairment requirements for financial assets; and
- limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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New standards, interpretations and amendments to existing standards that are not yet effective

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2014.

i **Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities**

The amendments to IFRS 10 defined an investment entity, and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Company's financial statements.

ii **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarifies the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

iii **Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Company's financial statements.

iv **Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting**

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Company does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

v **IFRIC 21 Levies**

The Company has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

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vi **New and revised IFRS in issue but not yet effective**

IFRS 15 Revenue from Contracts with Customers[4]
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants[3]
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions[1]

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[1]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

vii **IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

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viii **Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g., IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's financial statements.

ix **Amendments to IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a when the intangible asset is expressed as a measure of revenue; or

b when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

x **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Company's financial statements.

xi **Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

xii **Annual Improvements to IFRSs 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a the property meets the definition of investment property in terms of IAS 40; and

b the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2.3 FINANCIAL ASSETS AND LIABILITIES

2.3.1 Financial assets

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

In 2014 and 2013, the Company had no available-for-sale financial assets but did have held-to-maturity investments.

The Company did not designate financial assets upon initial recognition at fair value through profit or loss (fair value option).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the Company upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans to staff or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as 'Interest income'.

2.3.2 Financial liabilities

The Company's holding in financial liabilities is in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables. Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method.

The Company did not have any financial liabilities that meet the classification criteria at fair value through profit or loss and did not designate any financial liabilities as at fair value through profit or loss.

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2.3.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.3.4 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.3.5 Reclassification of financial assets

The Company may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively. The Company did not reclassify any of its financial assets.

2.3.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid assets with original maturities of three months or less.

For the purposes of statement of cash flows, cash and cash equivalents include cash and liquid investments with original maturities of three months of less.

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2.5 REVENUE RECOGNITION

Custody fees

Custody fees represents fees earned by the Company for performing the custodial service function over the pension fund/non-pension fund assets on behalf of PFAs/AMCON/banks and other financial institutions. Custody fee income is recognised on an accrual basis as the service is rendered and is stated net of tax.

Interest income

Interest income is recognised using the effective interest method. It includes interest income from cash and cash equivalents.

The effective interest method is a method of calculating the amortised 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 Company 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 and points 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.

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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.6 IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost

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

Objective evidence that a financial asset is impaired includes observable data that comes to our attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

i adverse changes in the payment status of borrowers in the group (e.g., an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or

ii national or local economic conditions that correlate with defaults on the assets in the group (e.g., an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable either through sale or use. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.8 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial year.

An asset is recognised when it is probable that economic benefits associated with the item flow to the Company and the cost item can be reliably measured. All repairs and maintenance cost are charged to other operating expenses in the financial period in which they occur.

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:

Computer hardware and equipment	3 years
Office equipment	5 years
Plant and machinery	5 years
Furniture and fittings	5 years
Motor vehicles	4 years

The useful life and residual value of each and individual assets are being reviewed annually.

Gains and losses on disposals are determined by comparing proceeds on disposals with carrying amount. These are included in 'other (losses)/gains – net' in the statement of profit or loss.

Payments in advance for items of property and equipment are included in 'Other assets' and upon delivery are reclassified as additions in the appropriate category of property and equipment.

2.9 INTANGIBLE ASSETS

Costs associated with maintaining computer software are recognised as an expense incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company, are recognised as intangible assets. Subsequent expenditure on software assets is capitalised only if it increases the future economic benefits embodied in the specific assets to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over 3 years and are carried at cost less any accumulated amortisation. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. The Company does not have any intangible assets with indefinite useful lives.

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2.10 TAXATION

Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and provisions for pensions and other post-retirement benefits. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.11 EMPLOYEE BENEFITS

The Company has both defined contribution and benefit plans.

Defined contribution plan (Pension)

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the Pension Reform Act 2014, the Company pays contributions to a Pension Fund Administrator (PFA) on a mandatory or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The employee contributions are funded through payroll deductions while the Company's contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available while unpaid contributions are recognised as a liability.

Defined benefit plan (Gratuity Scheme)

The Company operates a non-contributory, funded defined benefit service gratuity scheme. The level of benefit provided is dependent on one or more factors, such as years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains of losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Where there is no deep market in such bonds, the market rates on government bonds are used. The staff gratuity scheme was discontinued with effect from 31 December 2014.

Severance benefits

The Company has put in place a severance benefit package for its directors. Directors are entitled to benefit from the scheme from their effective date of appointment. Severance benefits are calculated based on the number of years in service at specified amounts approved by the Board of Directors.

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2.12 PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time, value of money and the risks specific to the obligation.

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 recognised but are disclosed unless they are remote.

2.13 SHARE CAPITAL

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

Dividend proposed by the directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company & Allied Matters Act.

2.14 ASSETS UNDER CUSTODY

These assets represents the value of the investments of pension fund beneficiaries/obligors, managed by their respective pension fund administrators/ AMCON and held by the Company in its capacity as the custodian in compliance with the Pension Reform Act 2014/AMCON Act 2010. The Company also keeps under custody money market instruments on behalf of banks and discount houses in accordance with CBN directives. These assets include cash balances held with banks, investments in money market instruments, equities and real estate. These assets are not included in these financial statements, but reported as an off balance sheet item.

Financial assets held under custody by the Company are accounted for in line with local statutory requirements - NGAAP.

2.15 COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.16 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee that makes strategic decisions. The Company has only one operating segment, hence we are not doing segment reporting.

2.17 GOING CONCERN

The Management Committee (MANCO) has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast any significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

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3 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Audit, Risk & Compliance department under policies approved by the Board of Directors. The Audit, Risk & Compliance department identifies and evaluates financial risks in close cooperation with all operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

3.1 CREDIT RISK

Credit risk is the risk of financial loss, should any of the Company's clients or counterparties fail to fulfill their contractual obligations to the Company. Credit risk arises mainly from cash and cash equivalents as well as from outstanding custody fees. For counterparty banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Custody fees are deducted directly from funds under management. Management does not expect any losses from non-performance by any fund under the Company's custody.

	31 December 2014 ₦'000	31 December 2013 ₦'000
< 30 days	**298,034**	254,518
30-90 days	**106,663**	83,371
91-180 days	**26,758**	31,425
> 180 days	**56,823**	30,260
Total	**488,278**	399,574

3.1.1 Credit quality

Credit risk arises from deposits with banks as well as credit exposures to staff loans.

Loans and receivables held by the company consist mainly of custody fee receivable and staff loans which are all classified as neither past due nor impaired. Custody fee payment is guaranteed, as all fees are debited from the fund at the end of each month after the amounts have been approved by the National Pension Commission, hence risk is minimised. All the amounts outstanding relate to unpaid months as at reporting date.

The maximum exposure to credit risk for deposits approximates the amount recognised on the balance sheet.

3.2 LIQUIDITY RISK

The Company does not have any borrowings. Surplus cash held by the Company over and above the balance required for working capital management are invested in interest-bearing current accounts and short-term deposits, choosing instruments with appropriate maturities. At the reporting date, the Company held liquid cash assets of ₦5.2 billion which is expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2014	Less than 3 months ₦'000	Between 3 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Between 2 and 5 years ₦'000
Accounts payable	**29,672**	**-**	**-**	**-**

At 31 December 2013	Less than 3 months ₦'000	Between 3 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Between 2 and 5 years ₦'000
Accounts payable	113,339	-	-	-

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3.3 MARKET RISK

The Company 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, equity prices and commodity prices. The Company is not exposed to equity price risk nor commodity price risk.

3.4 FOREIGN EXCHANGE RISK

The Company enters into most of its transactions in naira which is also the functional currency. The Company is therefore not exposed to any material foreign exchange risk.

3.5 INTEREST RATE RISK

The company is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk. The Company takes on exposure to the effect of fluctuations in the prevailing levels of market interest on both its fair value and cash flow risks.

The table below summarises the Company's interest rate gap position.

31 December 2014	Carrying amount ₦'000	Variable interest ₦'000	Fixed interest ₦'000	Non-interest-bearing ₦'000
Assets				
Cash and short-term funds	209,032	209,032	-	-
Investment securities	5,059,871	-	5,059,871	-
Staff loans	19,861	-	19,861	-
Other assets	1,712,795	-	-	1,712,795
Liabilities				
The Company has no borrowings.				

31 December 2013	Carrying amount ₦'000	Variable interest ₦'000	Fixed interest ₦'000	Non-interest-bearing ₦'000
Assets				
Cash and short-term funds	102,945	102,945	-	-
Investment securities	4,391,426	-	4,391,426	-
Staff loans	24,561	-	24,561	-
Other assets	1,792,868	-	-	1,792,868
Liabilities				
The Company has no borrowings.				

3.6 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As at the reporting date, the Company was nil geared i.e. had no borrowings nor overdraft.

The Company is in a highly regulated industry and is constantly under review by the National Pension Commission (PenCom).

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3.7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments not measured at fair value

	At 31 December 2014		At 31 December 2013	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and short-term funds	209,032	209,032	102,945	102,945
Investment securities (held to maturity)	5,059,871	5,059,871	4,391,426	4,391,426
Staff loans	19,861	19,861	24,561	24,561
Other receivables	482,059	482,059	397,367	397,367
Financial liabilities				
Account payables	29,672	29,672	113,339	113,339

Financial instruments measured at fair value

IFRS 7 requires disclosures for all financial instruments measured at fair value. The Company does not have any financial instruments measured at fair value.

4 CUSTODY FEES

	31 December 2014 ₦'000	31 December 2013 ₦'000
Custody fees	3,517,904	2,843,458

Custody fees represent income earned by the Company for performing the custodial service functions over the pension fund/non-pension assets on behalf of PFAs/AMCON/banks and other financial institutions.

5 INTEREST INCOME

	2014 ₦'000	2013 ₦'000
Placements	7,872	91,774
Treasury bills	491,381	323,338
Current account	1,263	1,497
Staff loans	5,843	8,611
Total	506,359	425,220

6 OTHER INCOME

	2014 ₦'000	2013 ₦'000
Admin/processing fees	1,195	1,689
Sundry income	7,297	16,739
Total	8,492	18,428

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7 OPERATING EXPENSES

	Note	2014 ₦'000	2013 ₦'000
Personnel expense	7.1c	**382,459**	418,269
Depreciation of property and equipment		**82,590**	71,620
Amortisation of intangible asset		**57,831**	16,187
Directors' emoluments	20a	**188,940**	156,409
Auditors' remuneration		**10,000**	8,000
Loss on disposal of PPE		**13,486**	17,571
Donations and subscriptions		**33,043**	10,325
Provision for doubtful receivables		**5,000**	–
Insurance premiums, rent and rates		**28,678**	27,368
Amortisation of prepaid employee benefit		**3,242**	3,766
Professional fees and other consultancy costs		**23,116**	49,397
Other operating expenses		**686,055**	461,530
Information technology levy		**24,934**	20,264
Total		**1,539,374**	1,260,706

7.1 PERSONNEL EXPENSE

	2014 ₦'000	2013 ₦'000
Staff costs (excluding executive directors)	**382,459**	418,269

See breakdown of staff costs at note 7.1c.

a **The average number of persons employed by the Company during the year**

	2014 Number	2013 Number
Executive	**1**	2
Management	**5**	5
Non-management	**56**	56
Total	**62**	63

b **The number of employees, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits)**

	2014 Number	2013 Number
₦300,000–₦2,000,000	**43**	41
₦2,000,001–₦2,800,000	**5**	5
₦2,800,001–₦3,500,000	**4**	6
₦3,500,001–₦4,000,000	**3**	3
₦4,000,001–₦5,500,000	**2**	2
₦5,500,001–and above	**4**	4
Total	**61**	61

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c **Staff costs for the above persons (excluding executive directors)**

	Note	2014 ₦'000	2013 ₦'000
Wages and salaries		316,473	334,425
Defined contribution plan		10,446	8,694
Retirement benefit cost – Gratuity	17	55,540	75,150
Total		382,459	418,269

8 INCOME TAX EXPENSE

	Note	2014 ₦'000	2013 ₦'000
Corporate tax		688,951	558,197
Education tax		47,801	41,708
Current income tax – current period		736,752	599,905
Origination and reversal of temporary deferred tax differences	16	44,887	(77,132)
Total income tax expense		781,639	522,773

The movement in the current income tax payable balance

	2014 ₦'000	2013 ₦'000
At 1 January	815,369	711,433
Tax paid	(496,060)	(492,148)
Withholding tax credit utilised	(6,665)	(3,821)
Income tax charge	736,752	599,905
At 31 December	1,049,396	815,369

8.1 RECONCILIATION OF EFFECTIVE TAX RATE

	2014 ₦'000	2013 ₦'000
Profit before income tax	2,493,381	2,026,400
Tax using domestic rate of 30% (2013: 30%)	748,014	607,920
Non-deductible expenses	116,417	114,703
Education tax levy	47,801	41,708
Tax-exempt income	(147,414)	(97,001)
Tax incentives	16,821	(144,557)
Income tax expense	781,639	522,773

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9 INTANGIBLE ASSETS

	2014 ₦'000	2013 ₦'000
Computer software		
Cost		
At beginning of the year	256,568	104,333
Additions	-	152,235
At end of the year	256,568	256,568
Accumulated amortisation		
At beginning of the year	100,765	84,578
Amortisation charge for the year	57,831	16,187
At end of the year	158,596	100,765
Carrying amount	-	-
At end of the year	97,972	155,803

10 LOANS AND RECEIVABLES

	Note	2014 ₦'000	2013 ₦'000
Loans	10.1.1	19,861	24,561
Other receivables	10.1.2	482,059	397,367
Total		501,920	421,928

10.1.1 LOANS

	2014 ₦'000	2013 ₦'000
Amortised cost		
Staff loans	19,861	24,561
Impairment allowance on loans	-	-
Total	19,861	24,561

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10.1.2 OTHER RECEIVABLES

	2014 ₦'000	2013 ₦'000
Custody fee receivable	488,278	399,574
Allowance for doubtful accounts	(6,219)	(2,207)
Total	482,059	397,367

The movement in allowance for doubtful accounts is as follows:

	2014 ₦'000	2013 ₦'000
At 1 January	2,207	13,818
Additions	5,000	-
Recoveries	-	(11,611)
Allowance written off	(988)	-
At 31 December	6,219	2,207

11 OTHER ASSETS

	2014 ₦'000	2013 ₦'000
Prepayments	29,139	31,674
VAT receivables from clients	21,084	29,799
Other receivables	15,717	12,121
Total	65,940	73,594

12 INVESTMENT SECURITIES

	2014 ₦'000	2013 ₦'000
Treasury bills with maturity of less than 90 days	61,419	270,224
Treasury bills with maturity of more than 90 days	4,998,452	4,121,202
Total	5,059,871	4,391,426

Treasury bills represent short-term instruments issued by the central bank of the jurisdiction where the Company has operation. The fair value of treasury bills through profit and loss are determined with reference to quoted prices in active markets for identical assets. The estimated fair value of treasury bills at amortised costs represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

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13 CASH AND CASH EQUIVALENTS

	2014 ₦'000	2013 ₦'000
Cash and bank balance	23,818	52,914
Short-term placements	185,214	50,031
Treasury bills (maturing within three months)	61,419	270,224
Total	270,451	373,169

For the purpose of statement of cash flows, cash and cash equivalents comprises balances with less than three months' maturity from date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

13.1 CASH AND SHORT-TERM FUNDS

	2014 ₦'000	2013 ₦'000
Cash and bank balance	23,818	52,914
Short-term placements	185,214	50,031
Total	209,032	102,945

14 PROPERTY, PLANT AND EQUIPMENT

	Land ₦'000	Computer and office equipment ₦'000	Motor vehicles ₦'000	Total ₦'000
COST				
Balance as at 1 January 2014	864,228	288,560	184,658	1,337,446
Additions	-	18,279	41,795	60,074
Disposals	-	(6,574)	(81,875)	(88,449)
Balance as at 31 December 2014	864,228	300,265	144,578	1,309,071
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance as at 1 January 2014	-	199,948	88,262	288,210
Depreciation for the year	-	39,927	42,663	82,590
Disposals	-	(6,282)	(49,519)	(55,801)
Balance as at 31 December 2014	-	233,593	81,406	314,999
NET BOOK VALUE				
At 31 December 2014	864,228	66,672	63,172	994,072
At 31 December 2013	864,228	88,612	96,396	1,049,236

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15 SHARE CAPITAL

	31 December 2014 ₦'000	31 December 2013 ₦'000
Authorised		
2,000,000,000 ordinary shares of ₦1 each	**2,000,000**	2,000,000
Issued		
At 1 January	**2,000,000**	2,000,000
Issued during the year	**-**	-
At 31 December	**2,000,000**	2,000,000

The issued ordinary shares comprise 2,000,000,000 ordinary shares of ₦1 each. The Company is a wholly owned subsidiary of First Bank of Nigeria Limited.

16 DEFERRED TAX ASSET

	Note	31 December 2014 ₦'000	31 December 2013 ₦'000
At 1 January		**116,868**	**39,736**
Changes during the year:		**-**	**77,132**
- Charge/(credit) to statement of profit or loss	8	**(44,887)**	**-**
At 31 December		**71,981**	**116,868**

The directors have assessed the availability of taxable profit as at the reporting date and are of the opinion that it is appropriate to recognise the deferred tax asset as it is probable that taxable profit will be available against which the deferred taxation asset will be utilised.

16.1 THE DEFERRED INCOME TAX (ASSETS)/LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING ITEMS:

	31 December 2014 ₦'000	31 December 2013 ₦'000
Property, plant and equipment	**42,069**	59,898
Defined benefit obligations	**(27,610)**	(102,980)
Loans and other receivables	**(2,231)**	(662)
Creditors and accruals	**(84,209)**	(73,124)
At 31 December	**(71,981)**	(116,868)

17 RETIREMENT BENEFIT OBLIGATIONS

	Note	31 December 2014 ₦'000	31 December 2013 ₦'000
Provision for severance benefits	17.3	**85,342**	168,796
Gratuity benefits	17.1	**5,240**	174,470
Total		**90,582**	343,266

The Company operates a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of pre-defined years are paid a sum based on their qualifying emoluments and the number of years spent in the service of the Company. The plan is funded. The staff scheme was discontinued with effect from 31 December 2014 while the directors' severance package [is continuing].

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17.1 THE MOVEMENT IN PROVISION FOR GRATUITY OVER THE YEAR

	Note	31 December 2014 ₦'000	2013 ₦'000
At 1 January		174,470	206,802
Current service charge		32,192	50,601
Interest cost		23,348	24,549
Benefits paid		(9,728)	(104,066)
Actuarial (gains)/losses		-	(3,416)
Curtailment gain		22,617	-
Transfer out		(48,226)	-
Pledged assets with FBN Capital	17.2	(189,433)	-
At 31 December		5,240	174,470

17.2 PLEDGED ASSETS WITH FBN CAPITAL

	31 December 2014 ₦'000	2013 ₦'000
Fixed deposit	15,046	-
Treasury bills	174,710	-
Cash	32	-
Management fees	(355)	-
At 31 December 2014	189,433	-

Pledged assets with FBN Capital is the asset (fund) the Company transferred to FBN Capital to cater for the staff retirement benefit liability that was discontinued as at 31 December 2014.

The amounts recognised in the income statement are as follows:

	31 December 2014 ₦'000	31 December 2013 ₦'000
Service costs	32,192	50,601
Interest cost	23,348	24,549
Total	55,540	75,150

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17.3 THE PROVISION FOR SEVERANCE BENEFIT FOR DIRECTORS OVER THE YEAR

	31 December 2014 ₦'000	31 December 2013 ₦'000
Total	**85,342**	168,796

The severance benefit obligation is calculated based on the number of years in service at a specified amount.

The movement in provision for directors' severance over the year is as follows:

	Note	31 December 2014 ₦'000	31 December 2013 ₦'000
At 1 January 2014		**168,795**	161,476
Current service charge		**37,224**	39,888
Interest cost		**15,427**	18,844
Benefits paid		**(112,323)**	(21,301)
Actuarial (gains)/losses		**7,688**	(30,112)
Transfer in	17.1	**48,226**	-
Pledged assets with FBN Capital		**(79,695)**	-
At 31 December 2014		**85,342**	168,795

The principal actuarial assumptions were as follows:

	2014	2013
Discount rate (p.a.)	**13.5%**	13.5%
Inflation rate (p.a.)	**9%**	9%
Future salary increase (p.a.)	**12%**	12%

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

18 CREDITORS AND ACCRUALS

	31 December 2014 ₦'000	31 December 2013 ₦'000
Accounts payable	**29,672**	113,339
Sundry creditors	**407,193**	346,678
Information technology levy	**24,934**	20,264
Total	**461,799**	480,281

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19 ASSETS UNDER CUSTODY

19.1 PENSION ASSETS UNDER CUSTODY

	31 December 2014 ₦'000	31 December 2013 ₦'000
Bank balances	12,395,368	17,289,657
Treasury bills	175,947,123	214,327,363
Money market instruments	257,677,756	230,873,543
Bonds	716,266,574	520,001,973
Equities	196,143,007	245,957,194
Receivables	313,861	15,152
Mutual funds	16,431,207	10,026,966
Investment properties	136,842,733	112,098,744
Private equity	2,865,272	2,485,535
Total	1,514,882,901	1,353,076,127

19.2 NON-PENSION ASSETS UNDER CUSTODY

	31 December 2014 ₦'000	31 December 2013 ₦'000
Non-pension assets under custody	300,321,681	93,731,367

The non-pension assets under custody relates to the assets managed by the Company on behalf of Asset Management Corporation of Nigeria (AMCON) under an agreement signed between the Company and AMCON. The amount relates to financial assets obtained from obligors of delinquent credit facilities that were taken over from the banks. The Company also keeps under custody non-proprietary assets on behalf of banks and other financial institutions in accordance with CBN guidelines. This is in line with its licence to perform as Custodian for Money Market & Fixed Income Instruments, issued by the Central Bank of Nigeria. The agreement has been endorsed by the National Pension Commission.

20 RELATED PARTIES

The Company is a member of the First Bank Group and is thus related to other subsidiaries of the Bank through common shareholdings or common directorships. The Company identifies its key management personnel as the Board of Directors. Balances arising from dealing with related parties are as follows:

a **Remuneration of key management personnel/directors**

	31 December 2014 ₦'000	31 December 2013 ₦'000
Fees and sitting allowance	17,733	19,275
Executive compensation	35,698	48,574
Retirement benefit costs	39,614	28,621
Other director expenses	95,895	59,939
Total	188,940	156,409

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b **The number of directors who received fees and other emoluments in the following ranges are:**

	Number	Number
₦5,000,000 and above	8	8

c **Due from related companies**

This represents the balance due to related parties stated below as at year end.

Description	Nature of relationship	Nature of transaction	31 December 2014 ₦'000
First Bank of Nigeria Ltd.	Parent company	Treasury bills	4,177,583
	Parent company	Short-term placements	185,214
	Parent company	Bank balance and unpaid interest	23,818
	Co-subsidiary	Treasury bills	882,287

The Company earned a total interest of ₦316.30m and ₦183.77m from First Bank of Nigeria Limited & FBN Capital Limited respectively in respect of placements.

Description	Nature of relationship	Nature of transaction	31 December 2014 ₦'000
First Bank of Nigeria Ltd.	Parent company	Short-term placements	50,031
	Parent company	Bank balance and unpaid interest	52,914

d **Due to related companies**

There were no amounts due to related parties at the year-end (2013 – Nil).

21 CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

The Company makes estimates and assumptions in determining the carrying amounts of certain assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. The resulting estimates seldom equal the related actual results.

The key assumptions concerning the future, and other key sources of estimation uncertainty, are shown below:

Gratuity benefits

Assumptions are made in the actuarial valuing of future defined gratuity obligations. The principal assumptions relate to the discount rate and rate of inflation. The assumed rate of inflation affects the rate at which salaries are expected to grow and subsequently the gratuity that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds that have a term-to-maturity approximating that of the related liability. As a result, there is uncertainty that these assumptions will continue in the future. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Tax

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Judgments have been made as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

22 CONTINGENT LIABILITIES AND COMMITMENTS

The Company in its ordinary course of business was not involved in any suit as at 31 December 2014 (31 December 2013 – Nil). The directors of the Company are not aware of any pending or threatened claims or litigations, which may be material to the financial statements. There were no other contingent liabilities requiring disclosure in these financial statements.

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23 CAPITAL COMMITMENTS

The Company had no capital commitments as at 31 December 2014 (31 December 2013 - Nil).

24 EVENTS AFTER THE REPORTING DATE

The Company has no adjusting or non-adjusting events after the financial position date.

25 COMPLIANCE WITH REGULATORY BODIES

During the year, the Company paid a penalty of ₦500,000.00 to National Pension Commission, resulting from operational error.

26 EARNINGS PER SHARE

Basic earnings or loss per share (EPS) is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	31 December 2014 ₦'000	31 December 2013 ₦'000
Profit attributable to equity holders	1,711,742	1,503,627
Number of ordinary shares in issue as at year end	2,000,000	2,000,000
Earnings per share (kobo)	**86**	75

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VALUE ADDED STATEMENT

	2014 ₦'000	%	2013 ₦'000	%
Gross earnings	4,032,755		3,287,106	
Bought in materials and services – Local	(1,011,494)		(754,630)	
Provision for other receivables	(5,000)		-	
Value added	3,016,261	100	2,532,476	100

DISTRIBUTION

	2014 ₦'000	%	2013 ₦'000	%
Employees				
Salaries and benefits	382,459	13	418,269	17
Government				
Taxation	736,752	24	599,905	24
Retained for future replacement of assets and expansion of business:				
Asset replacement (depreciation and amortisation)	140,421	5	87,807	3
Deferred taxation	44,887	1	(77,132)	(3)
Transfers to reserves	1,711,742	57	1,503,627	59
Total	3,016,261	100	2,532,476	100

Value added is the wealth created by the efforts of the Company and its employees and its allocation between employees, shareholders, government and re-investment for the creation of further wealth.

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	As reported under IFRS				As reported under NGAAP
	December 2014 ₦'000	December 2013 ₦'000	December 2012 ₦'000	December 2011 ₦'000	December 2010 ₦'000
FINANCIAL POSITION					
Non-current assets					
Property, plant and equipment	**994,072**	1,049,236	136,573	176,875	98,754
Intangible assets	**97,972**	155,803	19,755	24,467	2,376
Deferred tax assets	**71,981**	116,868	39,736	-	40,572
	1,164,025	1,321,907	196,064	201,342	141,702
Current assets					
Loans and other receivables	**501,920**	421,928	332,951	194,194	134,741
Other assets	**65,940**	73,594	144,825	118,377	78,519
Investment securities	**5,059,871**	4,391,426	-	-	-
Cash and cash equivalents	**209,032**	102,945	4,207,619	3,010,062	2,801,452
	5,836,763	4,989,893	4,685,395	3,322,633	3,014,712
Total assets	**7,000,7888**	6,311,800	4,881,459	3,523,975	3,156,414
EQUITY AND LIABILITIES					
Equity					
Share capital	**2,000,000**	2,000,000	2,000,000	2,000,000	2,000,000
Other reserves	**-**	(17,241)	(20,657)	(40,691)	-
Retained earnings	**3,399,011**	2,690,125	1,526,498	703,811	459,162
Total equity	**5,399,011**	4,672,884	3,505,841	2,663,120	2,459,162
Non-current liabilities					
Deferred tax liabilities	**-**	-	-	4,003	-
Retirement benefit obligations	**90,582**	343,266	368,278	281,308	188,937
	90,582	343,266	368,278	285,311	188,937
Current liabilities					
Creditors & accruals	**461,799**	480,281	295,907	129,667	129,362
Income tax liabilities	**1,049,396**	815,369	711,433	445,877	378,953
	1,511,195	1,295,650	1,007,340	575,544	508,315
Total liabilities	**1,601,777**	1,638,916	1,375,618	860,855	697,252
Total equity and liabilities	**7,000,788**	6,311,800	4,881,459	3,523,975	3,156,414
Pension assets under custody	**1,514,882,901**	1,353,076,127	1,043,766,847	802,367,627	681,003,586
Non-pension assets under custody	**300,321,681**	93,731,367	43,075,297	26,812,870	-

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	December 2014 ₦'000	December 2013 ₦'000	December 2012 ₦'000	December 2011 ₦'000	December 2010 ₦'000
Income statement					
Gross earnings	**4,032,755**	**3,287,106**	2,558,933	1,704,066	1,350,331
Profit before income tax	**2,493,381**	**2,026,400**	1,315,522	801,502	453,288
Income tax expense	**(781,639)**	**(522,773)**	(492,835)	(316,242)	(157,938)
Profit for the year	**1,711,742**	**1,503,627**	822,687	485,260	295,350
Per share data					
Earnings per share – basic (kobo)	**86**	**75**	41	24	15
Net (liabilities)/assets per share (naira)	**3**	**2**	2	1	1

Glossary of ratios

Ratio		Basis of computation
Cost income ratio	=	Total cost / Total income
Earnings per share	=	Net profit for the year / Number of average outstanding shares
Gross margin	=	Profit before income tax / Total income
Return on assets	=	Profit for the year / Total assets
Return on equity	=	Profit for the year / Shareholders' funds
Total market value of assets under custody	=	Market value of all investment options available to the fund

Abbreviations

AC	Audit Committee
AGM	Annual General Meeting
AMCON	Asset Management Corporation of Nigeria
BIC	Banque Internationale de Crédit SARL
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CON	Commander of the Order of the Niger
CPFA	Closed Pension Fund Administrator
CSR	Corporate social responsibility
ED	Executive director
FPCNL	First Pension Custodian Nigeria Limited
FX	Foreign Exchange
IBAM	Investment Banking and Asset Management
IFRS	International Financial Reporting Standards
IT	Information Technology
KPI	Key Performance Indicator
MFR	Member of the Order of the Federal Republic
₦	Naira
OFR	Officer of the Order of the Federal Republic
PAT	Profit after tax
PBT	Profit before income tax
PFA	Pension fund administrator
PFC	Pension fund custodian
PenCom	National Pension Commission
PTADS	Pension Transition Arrangement Departments
RSA	Retirement Savings Account

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