First Pension Custodian

RICH HERITAGE BRIGHT FUTURE

First Pension Custodian Nigeria Limited

Annual Report and Accounts 2015

IN THIS REPORT

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 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396). 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, Merchant Banking and Asset Management[1], Insurance, and Other Financial Services[2].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgage Limited. FirstBank (Nigeria) is the lead entity of the Commercial Banking business.
- Merchant Banking and Asset Management business consists of FBN Merchant Bank and FBN Capital Limited. Subsidiaries of FBN Capital include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services include the Group's non-operating holdings company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

This report encompasses First Pension Custodian Nigeria Limited. Unless otherwise stated, the profit or loss statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the financial position comparison relates to the corresponding position at 31 December 2014. 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/2015financialreport.

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.

Due to rounding, numbers presented throughout the report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

[1] Following the acquisition of the Merchant Banking Licence in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of the Microfinance business, which is classified under this category.

INTRODUCTION

We are one of the foremost pension custodians in the Nigerian pension industry. Our goal is to be the ***custodian of first choice*** *by providing the best-quality custodial services and optimum protection of contributors' assets.*

OUR BUSINESS

OVERVIEW

First Pension Custodian Nigeria Limited (FPCNL) is one of the foremost pension custodians in the Nigerian pension industry and a wholly owned subsidiary of First Bank of Nigeria Ltd. Our goal is to be the custodian of first choice by providing the best-quality custodial services and optimum protection of contributors' assets. Our core values of integrity, excellence, teamwork and professionalism signifying the Company's guiding principles, are fundamental to our culture and are part of the everyday conduct of the Company's business, including the services we offer to our varied clients.

The principal activity of FPCNL as a pension fund custodian is the provision of custody services covering our assigned responsibilities under the Pension Reform Act 2014, in addition to our collection of global services. As at end of December 2015, we had custodial relationships with 19 pension fund administrators (PFAs), three closed pension fund administrators (CPFAs) and 13 banks and other financial institutions. We held about 35% market share during the year. To us, good performance is not just about profit, it's about running our business in the most sustainable way.

Under the 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. We also hold assets for asset managers and insurance companies alike.

We offer our clients a full spectrum of custodial services designed to meet their business needs.

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.

Our overriding priority is to be the leader in custodial services in Nigeria. This is driven by superior customer insight and cutting-edge relationship management. Understanding our customers informs everything we do. We focus on responding to our customers' various requirements and we offer bespoke solutions. This is achieved through the efficient use of information technology and dedicated staff, as well as through various initiatives aimed at developing value-added services. The elements of the brand are reflected in our vision and mission statement.

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

FBN HOLDINGS PLC (FBNH)

COMMERCIAL BANKING

- **First Bank of Nigeria Ltd**
  - FBNBank (UK) Ltd
  - FBNBank DRC Ltd
  - FBNBank Ghana Ltd
  - FBNBank The Gambia Ltd
  - FBNBank Guinea Ltd
  - FBNBank Sierra Leone Ltd
  - FBNBank Senegal Ltd
  - First Pension Custodian Ltd
  - FBN Mortgages Ltd

MERCHANT BANKING AND ASSET MANAGEMENT[1]

- **FBN Merchant Bank Ltd**
- **FBN Capital Ltd**
  - FBN Trustees Ltd
  - FBN Capital Asset Management Ltd
  - FBN Funds Ltd
  - FBN Securities Ltd

INSURANCE

- **FBN Insurance Ltd**
  - FBN General Insurance
- **FBN Insurance Brokers Ltd**

OTHER FINANCIAL SERVICES[2]

- **FBN Microfinance Bank Ltd**

[1]Following the acquisition of the Merchant Banking Licence in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking & Asset Management Business (MBAM).

[2]Other Financial Services is no longer classified as one of the main operating companies following the sale of the microfinance business which was classified under this category.

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GROSS REVENUE	PROFIT BEFORE TAX	EARNINGS PER SHARE	INTERIM AND FINAL DIVIDEND
₦4.95bn	₦3.41bn	121kobo	0.25 + 0.50 = 0.75kobo
▲ 22.7%	▲ 36.7%	▲ 40.7%	▲ 74.4%

NON-FINANCIAL HIGHLIGHTS

Improving service delivery

In an ever-changing and competitive environment, it is crucial that we listen to our customers, understand their needs and continue to delight them with efficient services. In 2015, we continued to leverage our IT capabilities to add value for our customers and clients. Considerable progress was made in this regard during the year, with the development of the bulk real-time gross settlement systems (RTGS) transfer platform and Helpdesk Portal for improved process turnaround time in the execution of clients' instructions and transactions.

Building skills and capacity

Our people are at the heart of the Company and are crucial to the long-term success and growth of the business – bringing our values to life and putting strategy into action. We made significant progress this year with our people strategy. Considerable realignment and restructuring was carried out to ensure that we have the correct structure in place to deliver on our commitments to our clients and other stakeholders. 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 further built capacity to serve our customers better.

CHAIRMAN'S STATEMENT

Umar Yahaya, Chairman

"Doing the right thing for customers is an integral part of our strategy and we are committed to setting the highest possible standards of integrity to serve our customers and clients."

OVERVIEW AND STRATEGY

The Company delivered excellent results despite volatile market conditions and currency depreciation during the year. The overall result is that underlying profit before tax (PBT) in 2015 improved by 36.7% to ₦3.41 billion. We also made significant progress towards our strategic targets with the achievement of a number of the strategic priorities we set out at the beginning of the year.

While we are proud of these achievements, we recognise that this is a base for the future, not the end of our strategic journey. Our operating environment is continually changing, which in addition to our capabilities needs to be addressed in our bid to become the custodian of first choice to our customers. We remain focused on providing the best customer experience, delivering sustainable value for our shareholders. As a Board, we have spent much time discussing how we can take the business forward, recognising the impact that both the evolving regulatory and competitive environment and customers' changing needs have on our business.

Doing the right thing for customers is an integral part of our strategy and we are committed to setting the highest possible standards of integrity to serve our customers and clients.

Board priorities

The Board embraces good governance as a driver of culture and our performance in the long term. Our business places emphasis on treating customers fairly, ethical values and strong risk management. The Board's priorities have centred mainly on strategy and execution, people and succession, and values. We have achieved the bulk of our three-year strategic initiatives aimed at transforming the Company into a first-class pension custodian. The Board's focus again this year was to ensure our business has the right talent and the skills required for efficient service delivery.

Regulation

The regulatory framework continued to evolve and change in 2015. The regulators have made good progress in ensuring the smooth running of the industry, placing great emphasis on protecting pension contributors and encouraging the informal sector of the economy to buy in to the contributory pension scheme. Several draft guidelines were issued during the year that are expected to be finalised in the coming year, which may affect the way we do business.

Responsible business

At FPCNL, we believe that what we do and how we do it are equally important. We recognise that we have a responsibility to deliver excellent customer services to pension contributors. Our business model puts customers at the heart of our business, based on attributes such as prudence and a long-term view, using technology to deliver on our commitments. As a business that considers the long term, we focus on areas where we can make material impact and create meaningful change.

Looking ahead

As we commence 2016, I believe we are very well placed to make the most of the opportunities that exist. In the coming year, we will continue to work with the regulators, customers and stakeholders to continually transform the pension industry through progressive initiatives. We will continue to focus on improving our performance and margins.

I want to show my appreciation by saying thank you to our clients and shareholders for their support during the 2015 financial year. Finally, I would like to thank all our employees for their hard work, commitment and contributions to our success this year. We look forward to delivering on our commitments in the coming year.

Umar Yahaya
Chairman

BUSINESS REVIEW

In this section, we set out a review of our financial performance during 2015 and the outlook for our business in the future.

CHIEF EXECUTIVE OFFICER'S REVIEW

Kunle Jinadu, Chief Executive Officer

"Our strong performance in 2015 marks the culmination of two years of delivery against our strategic plan, which has transformed the business for the benefit of our stakeholders."

HIGHLIGHTS

The financial period under review was, once again, a year in which the Company can take pride in its performance. We enjoyed favourable financial results, achieved the key strategic initiatives set out at the beginning of the year and continued operational delivery. We are totally committed to providing the best value for our customers and other stakeholders, and strive to be as efficient as possible in everything we do. Given the strategic progress and the improvement in our financial performance and position, we have a firm foundation to deliver the new strategic priorities in the coming year.

Financial performance

Our strong performance in 2015 marks the culmination of two years of delivery against our strategic plan, which has transformed the business for the benefit of our stakeholders. We have strengthened underlying performance from a profit of ₦2.49 billion in 2014 to ₦3.41 billion in 2015, driven by a higher income and reduction in cost base.

Total operating income increased by 22.7%, reflecting volume growth in investible funds and assets under custody. Fee income constituted 84.5% of the total operating income. Underlying costs reduced by 0.04%, which is indicative of our continued progress to contain expenses.

Strategy

In 2014, we commenced the implementation of our three-year strategic plan, highlighting our key priorities through to 2016 and how we intend to deliver value and high-quality experiences for customers, alongside strong and sustainable financial performance for our shareholders. In the final year of the strategic plan, we are to expand the impact of the performance and growth achieved in the past two years. We will achieve this by institutionalising the continuous review of customer service initiatives, being more responsive to changing customer expectations, creating operational capability and continuously seeking opportunities for more business. We will continue to leverage best-fit technology across our business to deliver better service with greater efficiency.

In the coming years, it is anticipated that the pension industry will continue to evolve in size and sophistication, and to be driven by technology, changing customer expectations, increasing regulatory requirements and increasing competition among operators.

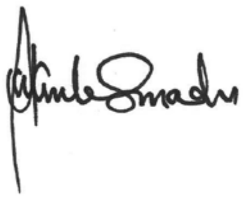
Risk and compliance

Effective management of our risks and controls remains a priority. During 2015, we continued to put in place measures to improve our processes and procedures, ensuring we maintained a robust control environment that supported our long-term growth aspirations. We also ensured improvements in our risk management framework. The pension industry continues to grow, and the regulators have acted to address previous failings within the industry. The regulator now maintains a strong and clear framework, while failure to adhere to that framework attracts significant sanctions.

Business outlook

In 2016, our focus will be on consolidating the progress we have made so far. We will continue to build on our strong performance; improve the services we provide to our customers; deliver strong and sustainable returns to our shareholders; and focus on being efficient in our end-to-end processes so we can continue to improve our overall performance and efficiency.

Thanks to the hard work and commitment of our colleagues, we have delivered the strategic objectives we set out in 2015 resulting in a transformed business. While we recognise we still have a lot more to do, these strong foundations give us confidence in our prospects and our ability to achieve our new strategic objectives in the coming year. Economic conditions are likely to remain challenging in 2016 as the continuing fall in crude oil prices and the value of the naira are expected to constrain growth. Despite uncertainties with regard to the political, regulatory, economic and competitive environments, we believe we are well positioned to continue to progress towards being the custodian of first choice.



Kunle Jinadu
Chief Executive Officer

OPERATING ENVIRONMENT

The Nigerian economy in 2015 was subjected to severe macroeconomic challenges due to the persistently low price of crude oil. As a result of this, reduced revenues and low foreign currency reserves, the value of the naira also remained low against foreign currencies. This had a negative impact on capital market activities with heavily eroded equities and bond prices, which depressed the value of assets under custody. It also had a negative impact on the money market, which culminated in crashed interest rates, with the attendant implications on investment revenue, both for assets under custody and the Company's own assets.

The decline in the statutory revenue allocation to the three tiers of government also created severe liquidity problems at both the federal and state government levels. This resulted in an inability to meet financial obligations of planned interest payments on their debts, as well as salaries, pension contributions, funding for payment of accrued portions of retirement benefits claims and other payments.

The regulatory framework continued to evolve with various guidelines and circulars issued by the regulators for the smooth running of the industry. In line with section 89 (2) of the Pension Reform Act (PRA) 2014, The National Pension Commission (PenCom) issued a draft guideline that will enable a Retirement Savings Account (RSA) holder to utilise part of their contribution towards payment of equity contribution for a residential mortgage. RSA holders can access no more than 25% of the value of their pension asset as at the date the application is received by their pension fund administrator. Any RSA holder who has utilised part of the RSA balance as an equity contribution for a residential mortgage may not be entitled to a lump sum payment at retirement. It is expected that this will be finalised by the fourth quarter of 2016.

In addition, a new guideline was issued on a multi-fund structure regime, which enables the investment of pension funds based on contributors' risk and age profiles.

The industry is strategically focusing on widening its membership base by extending coverage of the scheme to include the self-employed and informal sectors through the micro-pension plan. This is in addition to strengthening its moral suasion on the state governments that are yet to implement the scheme. The implication is that more people will be brought under the contributory pension scheme, with a potential increase in global assets, resulting in increased assets under custody.

Looking to the future, it is envisaged that the pension industry landscape will witness a host of changes:

- Opening the transfer window will allow contributors to move their RSAs between pension fund administrators (PFAs). The draft guideline has been issued, while the final guideline is expected to be published in 2016;
- The anticipated race among PFAs to gain the leading market share may result in mergers and acquisitions, under the influence of local corporate and possibly foreign players seeking to invest in the industry due to the industry's high returns on investment;
- The introduction of new products, services and strategies by PFAs will target the unreached informal sector;
- The introduction of policies and guidelines by the National Pension Commission will provide the enabling environment to accelerate market coverage;
- Fierce competition with brand quality, innovation and quality service delivery will be critical for the survival of most PFAs;
- A demand for better quality service will be created through increased financial literacy and brand consciousness choice of PFA; and
- The application of analytic tools will allow the industry to better understand contributor trends, a prerequisite for the multi-fund structure regime.

Competition among the three main custodians will remain intense, especially in the area of non-RSA businesses. Achieving lower operating costs will present greater challenges, based on the need to increase investment in technology and a new staff profile as directed by PenCom. Technology has raised clients' expectations, with increased needs for process improvement, innovation and faster customer service through automation. This will remain a challenge in the foreseeable future.

The pension industry is also looking to diversify its investment base into infrastructure bond, funds and real estate. The demand for PenCom and the pension industry to expand the investment frontiers to include the infrastructure sector – power, transport and housing – has continued unabated. Infrastructure development remains a key driver and critical enabler of sustainable growth in any economy. In order to make this a reality, professionals have been urged to develop instruments to enable PFAs to mobilise funds under their management to grow the desired sectors. The challenge will be the lack of objective and generally acceptable valuation methods for real estates. The adoption of global best practices will be a major ingredient for prudent deployment of funds to critical areas of national need and efficient management of investments. This will also further provide for the expansion of the assets under custody.

We will continue to be proactive in adapting to the operating environment.

OUR BUSINESS MODEL AND STRATEGY

OVERVIEW

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 heart of everything we do. As a custodian, we offer a wide range of services to satisfy our customers and deliver strong and sustainable returns to our shareholders.

Our business model enables us to provide continuing and relevant services to our clients, both pension and non-pension. This means providing pension custodian services that cover our assigned responsibilities under the Pension Reform Act 2014, in addition to our suite of global services. We are providing targeted services to our non-pension clients under the Central Bank of Nigeria (CBN) licence for money market and fixed-income instruments.

We create value for our customers through our distinctive strengths. Our competitive advantage arises from the scale and diversity of our businesses, the quality of our Group brand, our superior customer insight, high quality, committed colleagues and relationship focus. Our business can only achieve sustainable, profitable growth by employing the right people and with a performance-driven culture. We continue to build a talented workforce to ensure a more effective and efficient process to meet the ever-changing needs of our customers. Our inclusive workforce is committed to the highest standard of conduct and integrity.

We differentiate ourselves from competitors by our approach: our experienced and customer-focused professionals deliver high-quality bespoke services and are committed to helping our clients achieve their goals.

Our position as one of the foremost pension custodians gives us a responsibility and an obligation to work together with other industry operators and the regulator to help provide a more sustainable pension industry in the long term.

We are actively reviewing our operations to ensure that our business is sustainable and ready to move into the future.

OUR STRATEGY

OUR BUSINESS MODEL
Customer-centric, low-cost, profitable custodian

OUR AIM
Custodian of first choice
Sustainable shareholder returns

STRATEGIC PRIORITIES
Regain market share, Embed service excellence
Deliver better shareholder returns
Foster high-performance culture

In 2013, we launched our transformation programme by reviewing our strategy over the three-year period 2014-2016. The strategy was aimed at reshaping the Company to achieve our vision of being the 'custodian of first choice', generate sustainable returns and meet the needs of all our stakeholders. Our strategy remains on course.

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

The management of the strategy was in three phases:

- 2013-2014 Build a foundation: during this period, the organisation would review the changes to come and maintain the short-term momentum.
- 2014-2015 Accelerate growth: improved business performance, ratios and returns.
- 2015-2016 Expand impact: sustain the momentum and become 'the custodian of first choice' for our clients and deliver better value to our other stakeholders.

We have completed the first two phases and have put in place structures to make our Company more sustainable for the long term. We are two-thirds of the way through the strategy implementation period and witnessing the desired improvements.

In our bid to make FPCNL the 'custodian of first choice', the implementation of the strategic plan has been subject to various unforeseen internal and external developments. The operating environment was particularly challenging for the Company in 2015. As we continue to execute our transformation plan, we have adjusted our strategy and the shape of our business. These steps are necessary to deliver the objective of improved performance and sustainable returns to our shareholders in a changing regulatory and economic environment. We will continuously seek to deliver improved and sustainable returns by focusing on areas of competitive advantage. Underpinning these actions is a continuing focus on cost. In an extended low-growth macroeconomic environment, cost will be a strategic battleground for operators. We remain committed to measurable cost containment, enabled in part by technology, to be bolstered by improvement in income.

FOCUS FOR 2016

In 2016, we will continue to build on our past success and strengths. We will continue to invest in technology and process enhancements to ensure improved customer experience. We are committed to leading innovative product offerings to our customers by anticipating their needs and delivering effective service enabled by technology for greater efficiencies.

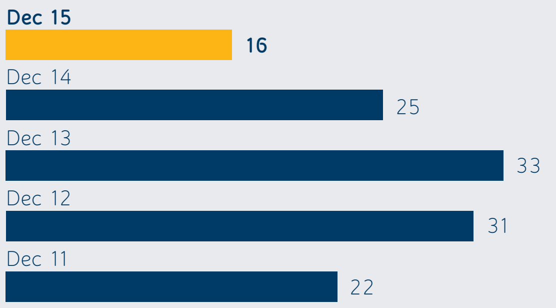
OUR PERFORMANCE

KEY PERFORMANCE INDICATORS (KPIs)

In 2015, we used four primary targets to assess the performance of the Company, all of which were focused on strategic progress and how we delivered to our customers and our shareholders. In 2014, we had outlined our strategy, which was built upon being the custodian of first choice for our customers and delivering sustainable returns for our shareholders. The strategy contained four significant actions to achieve our objective: market leadership, better and sustainable shareholders returns, service excellence and high-performance culture.

1 Drive growth – regain market leadership

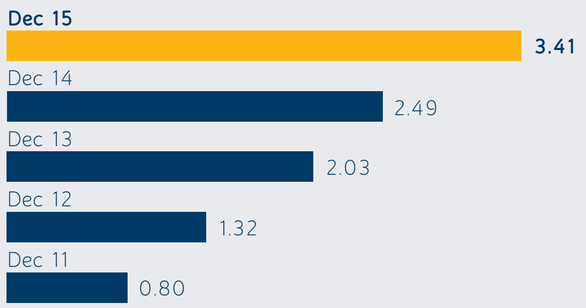
Assets under custody growth (%)



We experienced growth in assets under custody, though less than in the previous year. This was because of the challenging operating environment in 2015, which affected the money and capital markets, and ultimately, assets under custody.

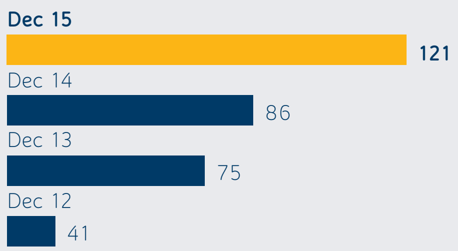
2. Deliver better shareholder returns

Profit before tax (PBT) (₦'bn)



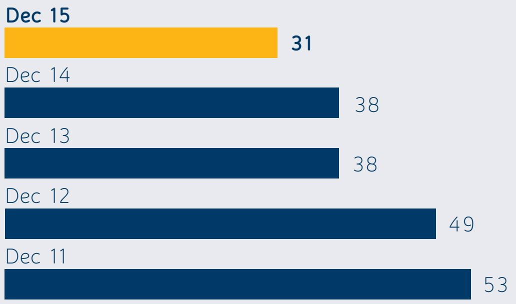
PBT grew in 2015 by 37% as a result of improved performance.

Earnings per share (k)



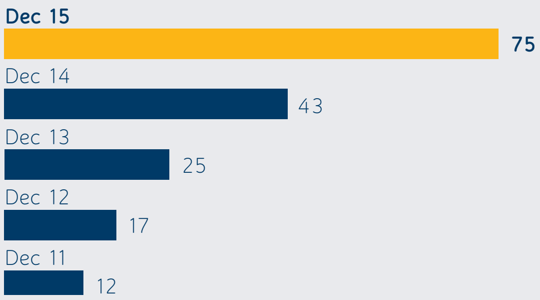
Sustainable cost containment efforts were deployed for improved profitability and better shareholder return. Earnings per share continued to improve given the increasing profitability.

Cost-to-income ratio (%)



Our cost-to-income ratio continued to fall in 2015 due to continued focus on costs containment and increased income.

Dividend per share (k)



The Board has approved an interim dividend of 0.25kobo per ordinary share in respect of 2015. The directors also recommend a final dividend for 2015 of 0.50kobo, bringing the total annual dividend to 0.75kobo (2014: 0.43kobo). The dividend payout ratio is 80% (2014: 50%) of the profit after tax.

3 Embed service excellence

Customer relationships are key to our strategy and are critical to our continued success. Providing an excellent service and getting it right for customers first time is the best way to prevent complaints. The overall number of customer complaints we received in 2015 fell compared to 2014. We measure customer satisfaction through a quarterly and biannual performance scorecard. Recent reports showed that customer satisfaction levels continue to improve. We are determined to reduce complaint volumes even further by learning from and acting on customers' feedback.

4 Foster high-performance culture

Employee engagement

Our aim is to continually align the aspirations of our people with those of the Company, encouraging a performance-oriented culture and a place where people love to work. Using a new employee survey, 'Great Place to Work', we are gaining an understanding of our core strengths and opportunities to improve. Areas that need attention include clarity around growth opportunities and career paths. Strong scores were registered for the Company's strategy and culture, with particularly positive results on individual commitment, conduct and job engagement.

RISK MANAGEMENT

Risk management plays a vital role in FPCNL's operations and the pension industry at large; to this end, FPCNL considers effective risk management to be of the utmost importance to its business operations. Risks are managed at FPCNL through the collective effort of all staff, the Audit, Risk & Compliance department, senior management and the Board of Directors. The major risks faced by the Company are highlighted below.

MAJOR RISKS FACED BY FIRST PENSION CUSTODIAN

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

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss (financial or otherwise) resulting from inadequacies or failed 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 wrong counterparties; and inadequate reconciliation of and follow-up on stock positions or corporate action entitlements.

Impact on business

Operational risk exposes the Company to huge financial loss, reputational damage and loss of market share.

Mitigants

Operational risks are mitigated through the following measures:

- enhanced staff training;
- regular job rotation;
- segregation of duties;
- continuous improvement of Company policy;
- adequate insurance cover on assets and staff;
- clearly defined/documented procedures and processes for all business units;
- an established specific system of controls and accountability;
- business continuity and disaster recovery policies and processes;
- reviewed and approved control process;
- access controls to assets/data privacy;
- adequacy of audit trail/evidence; and
- continuous improvement in service delivery to clients.

REGULATORY COMPLIANCE RISK

This is the possibility that laws, codes, internal policies and standards of good practice may not be complied with. This includes placing funds in prohibited investment, delay in rendering regulatory returns, payment without PenCom approval and failure to deduct and remit tax as appropriate.

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/withdrawal of its licence.

Mitigants

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, policies, procedures and ethical standards of good practice. It focuses on ensuring that the Company complies with legislation and regulations that are applicable to the pension business and operations.

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

The Company adopts a culture of compliance, which is seen not only as a requirement of law but also as good business practice.

Responsibility

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

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.

REPUTATIONAL RISK

FPCNL's reputation may suffer adversely through bad publicity arising from a negative perception on the part of PFAs, PenCom, government agencies, pensioners, service providers or the public at large.

Continuous breaches of regulatory rules, legislation or service-level agreements (SLAs), or providing a service that does not comply with industry standards, could lead to bad publicity for the Company.

Impact on business

Reputational risk could lead to negative publicity, loss of revenue and business, costly litigation or the exit of key employees. This can affect the ability to maintain existing client relationships and attract new business.

Mitigants

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;
- applying best practice in dealing with various stakeholders;
- striving 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;
- controlling official communication with shareholders, regulators, customers and the general public;
- restricting communication to duly authorised individuals/units; and
- reviewing all reports going to external parties.

LIQUIDITY RISK

FPCNL may face liquidity risk when there are insufficient financial resources to meet obligations as they fall due, or by 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 or insolvency and could eventually damage its reputation.

Mitigants

This includes effective cash flow planning, having diversified sources of funding, and efficient asset and liability management.

LEGAL RISK

This is a risk of real or threatened litigation against the Company.

Impact on business

This risk can cause significant loss to the Company, disrupt the operations of the Company and reduce the Company's earnings and capital.

Mitigants

- Ensuring that SLAs are executed between the Company and various service providers.
- Holding continuous contract reviews – a usual practice in FPCNL.
- Strict adherence to sound business practices.
- Avoidance of litigation against the Company.
- Engagement of external counsel with proven competence in the prosecution of the Company's claim against third parties.
- Incorporating a process of managing and mitigating legal risk into the enterprise risk management framework.

INFORMATION SECURITY RISK

This is specifically a business risk associated with the use, ownership, operation, involvement, influence and adoption of information technology within an enterprise. This risk includes:

- human or natural disaster affecting the Company server;
- unauthorised entry into the server room;
- unauthorised access, use, disclosure, modification, recording or destruction of information assets;
- alteration of economic data by unauthorised persons;
- manipulation of electronic data by hackers;
- virus attacks 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.

Mitigants

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 acceptable levels.

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

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.

FINANCIAL REVIEW

Bunmi Aderonmu, Head, Safekeeping & Finance

> *"Strong financial management is at the heart of our strategic priorities. Focusing on this, we finished the year in a stronger financial position."*

OVERVIEW

During the 2015 financial year, we made progress in the delivery of our strategy and achieved a strong financial performance despite the challenging operating environment. Strong financial management is at the heart of our strategic priorities. Focusing on this, we finished the year in a stronger financial position.

INCOME STATEMENT ANALYSIS

The Company's underlying profit increased by 36.7% in 2015 to ₦3.41 billion (2014: ₦2.49 billion). This reflected strong growth in income of 22.7%, boosted by continued progress in our cost management initiatives, leading to a reduction of 0.04% in operating costs. Profit after tax in 2015 was ₦2.42 billion (2014: ₦1.71 billion).

Total income recorded in 2015 was ₦4.95 billion, a rise of 22.7% (2014: ₦4.03 billion). This result was driven by strong growth in custody fees and interest income offsetting the lower other income. Custody fee income increased by 18.9% to ₦4.18 billion. This was driven by 16.5% growth in assets under custody to ₦2.11 trillion (2014: ₦1.82 trillion), assisted largely by newly added volumes from new businesses. Net interest income increased by 50% to ₦0.76 billion (2014: ₦0.51 billion), driven mainly by growth in investible funds. Other income in the year was 2% lower, at ₦0.83 billion (2014: ₦0.85 billion).

Total operating expenses recorded in 2015 was ₦1.538 billion, a reduction from the 2014 figure of ₦1.539 billion by 0.04%. This demonstrates the effectiveness of our cost-containment initiative during the year. Costs in the fourth quarter included the ₦40 million donation to the pension industry-wide corporate social responsibility (CSR) initiative and the ₦52.76 million in benefits (cash and non-cash) paid to members of staff who took advantage of the Board-approved voluntary early retirement scheme in December 2015. We continue to invest to improve our IT infrastructure for increased operational efficiency and customer satisfaction.

TAXATION

The tax charge for the year to 31 December 2015 was ₦991.9 million, representing an effective tax rate of 29%.

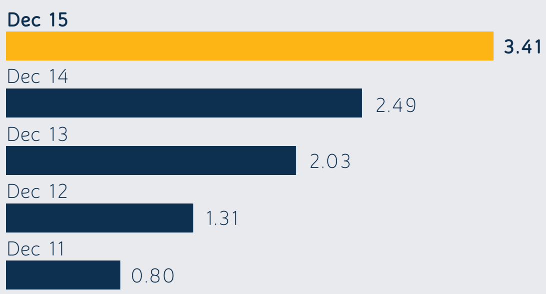
EARNINGS PER SHARE

Basic earnings per share increased by 41.2% to 120.84kobo (2014: 85.59kobo) per share. The weighted average number of shares in issue during the period was the same as the prior year: 2 billion units.

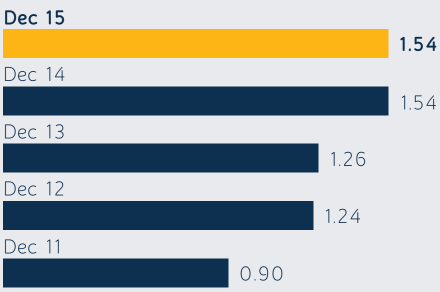
DIVIDEND

The Board has approved an interim dividend of 0.25kobo per ordinary share for 2015, amounting to ₦936.9 million. The directors also recommend a final dividend for 2015 of 0.50kobo, bringing the total annual dividend to 0.75kobo (2014: 0.43kobo). The dividend payout ratio is 80% (2014: 50%) of the profit after tax.

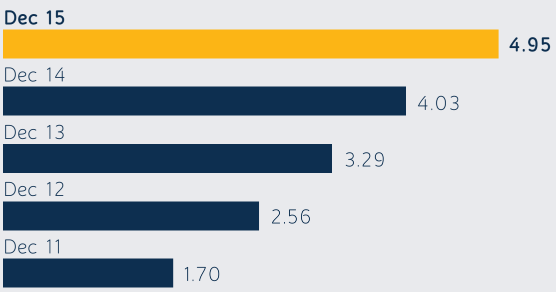
Profit before tax (₦'bn)



Operating expenses (₦'bn)



Operating income (₦'bn)



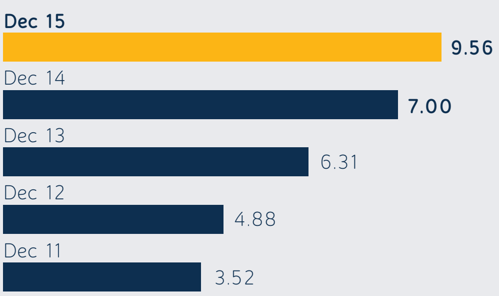
FINANCIAL POSITION ANALYSIS

Total assets increased by 36.5% to ₦9.56 billion (2014: ₦7.00 billion), driven by growth in both earning and non-earning assets. Earning assets increased by 42.25% to ₦7.52 billion (2014: ₦5.29 billion), mainly attributable to an increase in investment securities by ₦2.24 billion (42.63%) to ₦7.48 billion.

Property, plant and equipment recorded an increase of 13.6% arising from advance payment on the modification works on new office accommodation, which is expected to be concluded in the first quarter of 2016.

Total shareholders' equity increased by 20.8% to ₦6.52 billion, due to growth in profitability, and consequently, increased retained earnings. This will eventually drop with the payment of the final dividend at the end of the 2015 financial year.

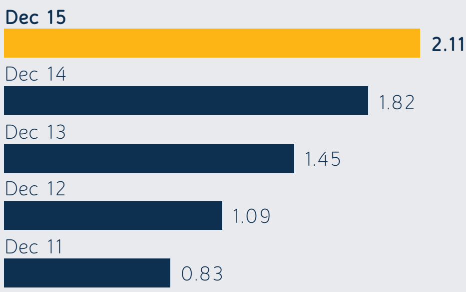
Movement in assets (₦'bn)



ASSETS UNDER CUSTODY (AUC)

AUC recorded a growth of 16.5% to ₦2.11 trillion, from ₦1.82 trillion in 2014. During the year, equity market movements were not favourable, with a drop in the all-shares index of 16.14% year on year, which impacted the assets under custody. During the year, there were eight new custodial relationships for non-pension assets.

Assets under custody (₦'tn)



CONCLUSION

Our aim for 2016 is to continue to operate an efficient business and build platforms for long-term sustainable growth.

RELATIONSHIPS AND RESPONSIBILITY

At FPCNL, operating in a responsible and socially sustainable manner is integral to our business model. We aim to make it a day-to-day reality by ensuring we do business in line with our values of integrity, excellence, teamwork and professionalism. We have an effective top-down governance structure, providing an environment in which colleagues are encouraged and supported to work responsibly and do the right thing. This governance structure starts with our Board and cascades to every part of our business, down to the newest trainee.

Our actions and policies are focused on the long-term benefits to our shareholder, employees, customers, the community and other stakeholders. Our objective is to put customers at the heart of our business by creating the best customer experience; empower our people through capacity and talent management, create value for our shareholders, work responsibly with our external stakeholders and support our community on various 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.

CUSTOMERS

Our priority has been to provide our varied clients and customers with the best custodian service. We are making sure this happens with service improvements to customers, including value-adding services. We have invested and continue to invest in IT infrastructure, with increased functionalities on our custody application for an improved customer service experience.

During the year, we implemented the bulk real-time gross settlement transfer platform to improve process turnaround time, and the Helpdesk Portal to enable our clients to log issues requiring prompt attention. We are working towards the implementation of the Swift platform for improved customer service quality. The wellbeing of our customers is central to every decision we make and every action we take. We aim to do the right things for our customers when it comes to dealing with – and avoid repeating – the mistakes of the past. Providing an excellent service and getting it right the first time is the best way to prevent complaints. We're determined to reduce complaint volumes in the future by learning from and acting on customers' feedback.

OUR PEOPLE

Our employees are at the heart of our business and are critical in our becoming the custodian of first choice. We want our Company to be an inclusive place to work, with every colleague treated fairly, with dignity and respect. We work to build a culture in which all colleagues can be themselves at work and progress solely on the basis of merit. We always aim to appoint the best person available into any role, attract talented people from diverse backgrounds and to be unbiased in the way we assess, select, appoint and promote them.

Our culture is constantly evolving to make sure that all colleagues are empowered and inspired to do the right thing in the conduct of the Company's business. We have regular dialogue with colleagues to get a picture of how they are feeling and keep them informed of changes to our business and our financial performance. We remain committed to investing in our people, providing the training and other support necessary to help us improve our performance and meet regulatory and customer expectations.

COMMUNITY

We believe it is our responsibility to support our communities through charitable activities in serving the needs of individuals or institutions with limited means. We believe that development of our immediate environment is not the sole responsibility of the government and are participating in endeavours to provide value and opportunities for the advancement of our immediate community.

During 2015, we contributed towards the pension industry-wide corporate social responsibility (CSR) project. The maiden social responsibility project by the industry is the acquisition and deployment of state-of-the-art Focal One® equipment for the treatment of prostate cancer. This was the first in the series of joint projects by the pension industry in fulfilment of CSR.

In the same way, our charitable activities affect the community in which we operate, and our operations generate employment, investment and tax revenue for the government. We do not interpret tax laws in ways we believe are contrary to their intention.

REGULATORS

We have and will continue to collaborate with the regulators to transform the pension industry through progressive initiatives. We build and enhance our relationships by ensuring all legal and compliance requirements are met, to minimise associated risks and safeguard contributors' assets.

GOVERNANCE

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

CHAIRMAN'S GOVERNANCE OVERVIEW

Umar Yahaya, Chairman

BOARD FOCUS DURING 2015

- Performance and progress
- Future strategic positioning and development
- Succession

I am pleased to introduce this corporate governance report in which, among other things, we describe how the Board and its main standing committees have operated during the past year, and describe how effective stewardship is exercised over the Company's activities in the interests of shareholders and other stakeholders.

Our Board is responsible for shaping the culture, values and ethics of First Pension Custodian Nigeria Limited (FPCNL), both within the boardroom and across the organisation, by setting the tone from the top and establishing high standards of behaviour.

As the Chairman of the Board I am responsible for ensuring effectiveness in all aspects of its role. This includes promoting effective relationships and open communication between directors and encouraging active engagement by all members. This is particularly important as the membership of the Board changes.

It has been a good year for the Company. We continue to pursue a clear strategy with a distinct position, remaining true to our values and with a well-articulated plan for future growth. Our aim is to be the custodian of choice in an ever-evolving operating environment, while staying true to our tenet of integrity. Integrity underpins all of our Board discussions, from debate on the management of our teams, to the services we offer our clients. Having integrity as a value also means being honest in how we judge our own performance as a Board and where we can do things better.

Board composition and succession planning

As a Board we are clear about how we can be more effective, and what information we need to monitor and challenge our progress and ensure proper debate. We have a strong team and we have had a number of robust discussions throughout the year on various issues, ranging from performance of the organisation to strategy and risks. We have reflected on, and will continue to debate openly, the results of our Board evaluation and how we can be more effective.

This atmosphere of constructive challenge and debate depends on having the right people in place. Board composition is subject to an ongoing process of review and refreshment. The priority is to ensure that the Board collectively has the right balance and diversity of expertise, skills, experience and perspectives needed to provide effective oversight of the business, and I am fortunate to be supported by a Board that indeed has such a broad and diverse range of skills. A clear responsibility is for the Board to be able to identify and cultivate the leaders of the future. Talent is a prerequisite for the success of any company and providing the directors with a deeper insight into the character and capabilities of the senior executive team is essential for our long-term success. During 2015, the Board Governance Committee increased its focus on talent management and succession planning.

Governance

Our governance framework is reviewed and benchmarked against best practices every year. It sets out the roles, accountabilities and expectations for our directors and our structures. Governance at FPCNL is seen as an important element of our Board environment, and this feeds into how we do business. Our governance helps us test whether we are doing the right things in the right way, with the right checks and balances, and whether the right considerations underpin every decision we take. We continue to drive the agenda of diversity in its broadest sense across gender, experience, ethnicity and age.

The Board Governance Committee and Board Audit, Risk & Compliance Committee have played key roles in ensuring that the appropriate governance and challenge around risk and assurance is embedded throughout the business.

Board performance

The effective performance of the Board is my responsibility as the Chairman. We have engaged the services of an external facilitator each year since 2013 to assess our effectiveness and formally evaluate the performance of the Board, the Board committees and the directors. This brings a valuable, objective perspective to our assessment.

Details of 2015's Board effectiveness review, including a high-level statement of the outcomes, can be found on page 34.

Board committees

To ensure the Board can devote as much time as possible to strategic matters, oversight of risk management and control, and financial reporting, succession is delegated to specific Board committees. This ensures that each of these important areas is subject to an appropriate level of scrutiny. The Board committee chairpeople report on how each Board committee discharged its responsibilities in 2015 can be found on pages 30 to 33.

We continue to view good corporate governance as a vital ingredient in operating a successful business. As we enter the New Year, our focus will continue to be on delivery of our strategy, efficient service delivery and improvement in shareholder returns.

Umar Yahaya
Chairman

LEADERSHIP

The Company is led by a Board comprising a non-executive chairman, CEO and four non-executive directors, one of whom is an independent director. The Board is collectively responsible for the long-term success of the Company. It achieves this by setting the strategy and overseeing delivery against it, establishing the culture, values and standards of the Company, ensuring that the Company manages risk effectively, monitoring financial performance and reporting, and ensuring that appropriate and effective succession planning arrangements and remuneration policies are in place.

The oversight functions are performed through the committees of the Board, to which they are delegated. The committees of the Board are: the Board Governance Committee (BGC), the Board Finance & General Purpose Committee (BFGP), and the Board Audit, Risk & Compliance Committee (BARAC).

OUR BOARD

Umar Yahaya
Chairman

Appointed October 2014
Committee membership: N/A

Skills, competence 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 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, and 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. Was also the immediate past president, Kaduna Chambers of Commerce and a member of the 2020 Vision Team.

Kunle Jinadu
Chief Executive Officer

Appointed April 2013
Committee membership:
BFGP

Skills, competence and experience: Kunle Jinadu has 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 ANZ Grindlays Merchant Bank Limited in 1989, which became Stanbic Bank Nigeria Limited in 1993. He held various management positions, rising to the position of General Manager, Corporate Finance. He took early retirement in 2003 to establish his private consulting company, where he played very prominent roles in the pension reform implementation.

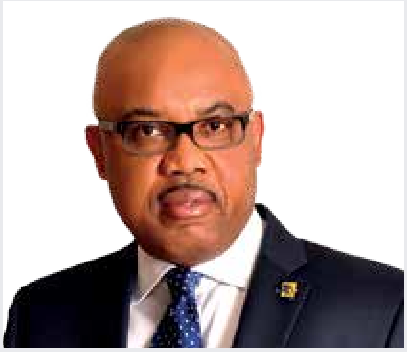
Bayo Odeniyi
Independent director

Appointed April 2009
Committee membership:
BARAC (ch) BFGP BGC

Skills, competence 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 service in 1989 to venture into private practice, and currently works as a Lecturer with Tai Solarin University of Education, Ogun State.



UK Eke, MFR
Non-executive director

Appointed April 2012
Committee membership:
BFGP (ch) BGC

Skills, competence and experience: UK Eke is a seasoned banker with deep experience of financial services, spanning diverse areas including risk management, consulting, taxation, capital market operations, business assurance and process engineering. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a senior audit consultant. He subsequently joined Diamond Bank Plc, where he worked for 19 years and became Executive Director, Regional Businesses, Lagos & West.

UK Eke has over 30 years of professional experience and he brings his wealth of knowledge to the boards of a number of institutions, where he serves as non-executive director, including FBN Bank (UK) Limited, FPCNL and the Financial Institutions Training Centre (FITC). He is currently the Group Managing Director of FBNHoldings*. He holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri.

A philanthropist and a respected business administrator, UK Eke is a Paul Harris Fellow of the Rotary Club International, a Member of the Institute of Management Consultants, Fellow of the Institute of Chartered Accountants of Nigeria and recipient of Nigeria's National Honour of Member of the Order of the Federal Republic (MFR).

External appointments: Group Managing Director, FBN Holdings Plc, Director FBNBank (UK) Limited.*

Former appointments: Executive Director, Public Sector South, First Bank of Nigeria Limited, Executive Director, Diamond Bank, non-executive director, Diamond Bank du Benin, and Diamond Capital and Financial Markets.

*Appointed 1 January 2016

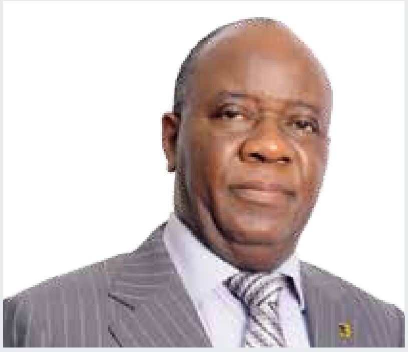
Ijeoma Nwogwugwu
Non-executive director

Appointed April 2014
Committee membership:
BARAC BFGP

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

External appointments: Editor/Group Executive Director, *ThisDay* newspaper.

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



Philip Olufunwa
Non-executive director

Appointed July 2014
Committee membership:
BGC (ch) BARAC

Skills, competence and experience: Philip Olufunwa has Bachelor's degrees in both medicine and surgery. He is a member of the Royal College of Obstetricians and Gynaecologists and a Fellow of the Royal Society of Medicine. He is also a member of the Institute of Directors, UK.

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

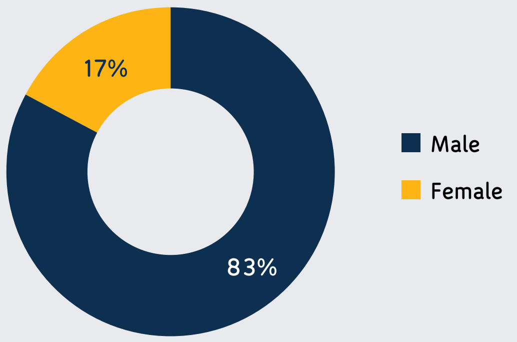
Former appointments: Clinical Head for gynaecologists in Central London in 2009; Board member, Central London Health, 2006 to 2009; Principal Partner, Harrow Road Health Centre, London, 1996 to 2005; Director, Westminster Clinical Commissioning Group National Health Service, 2010 to 2013.

Membership Key

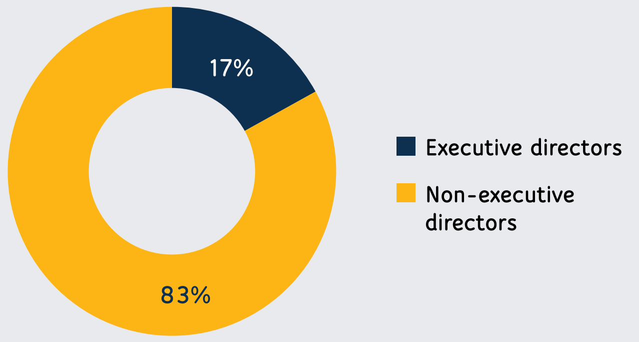
BARAC Board Audit, Risk & Compliance Committee
BFGP Board Finance & General Purpose Committee
BGC Board Governance Committee
(ch) Chairman

BOARD DIVERSITY

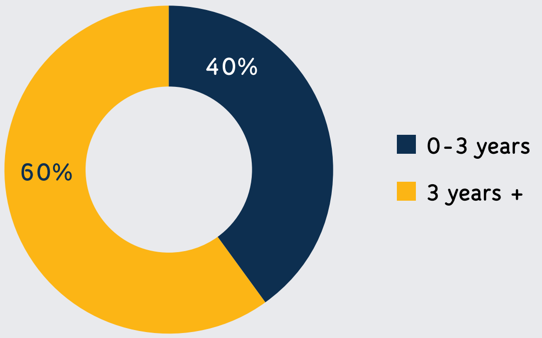
Board diversity



Executive and non-executive directors



Non-executive director tenure



MANAGEMENT COMMITTEE

Led by the CEO, the Management Committee comprises the top 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 Management Committee identifies, analyses and makes recommendations on risk arising from 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 20 times in 2015, but the members interact much more frequently. 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.

Kunle Jinadu
Managing Director/CEO

Akin Denton
Head, Trade Process & Settlement

Bunmi Aderonmu
Head, Safekeeping & Finance

Muyiwa Fagbenro
Head, Information Technology

Tunde Folayan
Head, Audit, Risk & Compliance

Wole Fanimokun
Head, Business Support

BOARD ROLES AND RESPONSIBILITIES

The Board is responsible for the management, direction, performance and long-term success of our business as a whole. The Board sets the Company's strategic goals, based on recommendations made by the CEO, reviews whether the necessary financial and human resources are in place for it to meet its objectives and monitors management performance.

It is kept informed about major developments affecting the Company through quarterly reports and holds regular meetings to discuss high-level strategic matters, including risk, strategy and human resources issues. The Company's operating model identifies matters that are specifically reserved for Board decisions, as well as procedures governing escalation of issues to and delegation of powers from the Board, to ensure clear allocation of responsibility for decision-making. In accordance with the operating model, the Board has delegated its executive powers to the CEO, with power to sub-delegate. In his coordination and stewardship of the Company, the CEO is supported by the Management Committee, whose current members are described elsewhere in this annual report.

The Board delegates authority to its committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The roles and responsibilities of the committees are set out in their respective terms of reference and charters. Also, the committees communicate and work together where required.

Committee membership during the year and attendance at meetings is set out in each of the individual committee reports later in this report. Should any director be unable to attend a Board or committee meeting, the Group Chairman and committee chairmen are informed and the absent director is encouraged to communicate opinions and comments on the matters to be considered.

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

- setting the overall strategy and corporate vision, including setting standards and creating a high-performance culture, which maximises value creation and minimises risk;
- approving the annual budget and reviewing performance against the plan;
- strategic objectives and operating plans and key performance indicators, including financial and non-financial information;
- approving the Company's risk appetite and risk management framework;
- evaluating of the company's competitive position and opportunities arising from the strategies and strengths of competition;
- developing and protecting of the brand, its values and business principles;
- reviewing annually the Company's system of internal control, governance and risk management;
- appropriate and effective Board and executive management succession;
- approving financial statements, dividends and significant accounting changes;
- the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives;
- safeguarding the Company's assets to enhance the value of shareholders' investments by identifying, evaluating and managing specific risks;
- appointing and reappointing of the external auditors;
- composition and size, taking account of succession requirements, including appointments to and removals from the Board, and succession planning for senior management; and
- reviewing annually Board effectiveness, including terms of reference of committees established by the Board.

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 CEO. 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.

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

- Leadership and management 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 keeps them advised of key developments to enable the Board to operate effectively
- Promotes a culture of openness and debate, facilitating the effective contribution of all directors and helping to maintain constructive relations between executive and non-executive directors.

Chief Executive Officer

- Responsible for the executive leadership and manages the day-to-day operations of the Company, to ensure the delivery of the strategy agreed by the Board, supported by the Management Committee, which he chairs, the members of which are set out on page 26
- Develops business strategies for Board approval and achieves timely and effective implementation while managing the risks
- Leads corporate strategic direction to develop appropriate business strategies for Board consideration and approval
- Develops proposals to present to the Board on all areas reserved for its attention
- Develops annual operating and capital plans for Board approval consistent with agreed strategies
- Keeps the Chairman regularly informed on all matters that may be of importance to the Board, including the Company's progress against strategic initiatives, competitive landscape, emerging risks, the performance of the management team and succession planning for key roles within the business

- Regularly updates the Board on performance progress against agreed plans and KPIs
- Maintains an effective framework for internal controls and risks
- Chairs the Management Committee to ensure that appropriate strategies are developed and successfully implemented; that risks are effectively assessed and managed; that the necessary financial and human resources are in place; and that performance is effectively monitored
- Ensures the Board has adequate access to accurate, timely and clear information for decision-making.

Non-executive director

- Brings independent and external dimensions to the Board's activities
- Effectively and constructively challenges management
- Helps develop strategy and monitors its success within the risk appetite and control framework set by the Board
- Promotes the long-term success of the Company for the benefit of its shareholders as a whole
- Oversees risks and controls
- Ensures that the Company acts responsibly, having due regard to its reputation by doing the right thing, the right way, for all our stakeholders
- Ensures the integrity of financial information and that financial controls and systems of risk management are robust and defensible
- Provides remuneration and succession planning for executive directors.

Company Secretary

The Company Secretary ensures that Board procedures are followed and reviewed regularly, and has the responsibility in law to ensure that each Board member is made aware of and is provided with guidance as to their duties, responsibilities and powers.

BOARD DISCUSSIONS

In the course of 2015, the Board considered all relevant matters within its sphere of activity, but particularly focused on the key issues depicted in the diagram below:

Strategy and planning

The Board 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. The Board spent considerable time on the performance of the Company's strategic objective of being a low-cost, high-profit organisation. It also considered the future opportunities available for the organisation and how we can exploit such opportunities in a highly competitive and regulated environment.

Discussions within other committees were also fed through to the Board for consideration, such as those of the Finance & General Purpose Committee on financial planning, IT delivery and risk oversight.

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 2016 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
- Ensured that key financial and operational controls were robust to protect the business from operational, financial and reputational risk
- Reviewed progress against the 2015 Board Action Plan. Discussed the outcome of the Board evaluation process conducted by an external facilitator
- Discussed the 2016 Board action plan.

Organisational design, capacity and succession planning

- Reviewed the business values and culture, ensuring that they remained 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
- Succession and performance management.

Customers

- Reviewed the business strategy, including improved customer engagement
- Discussed performance against the monthly/quarterly customer performance rating.

Board development

- Board evaluation
- Code of conduct and FPCNL values.

ACTION PLAN FOR 2016

- Continue to create a more open boardroom atmosphere and culture
- Focus on driving performance, reviewing KPIs to improve and benchmarking against competition
- Maximise the effectiveness of Board discussions around business and strategic risks
- Continue to develop our succession planning, gaining insights into high-potential individuals and their development in our business
- Continue to manage the strategy agenda
- Follow up the operating environment and be ready for changes.

Progress against the action plans will be monitored through the year by the respective committee and the Board.

ATTENDANCE AT BOARD MEETINGS

There were six meetings this year, including extraordinary meetings called to discuss matters that could not wait until the next scheduled Board meeting. Attendance is expressed as the number of meetings attended out of the total number held during the year to 31 December 2015.

NAME	ATTENDANCE
CHAIRMAN	
Umar Yahaya	6 of 6
EXECUTIVE	
Kunle Jinadu	6 of 6
NON-EXECUTIVE	
Bayo Odeniyi	6 of 6
Urum Eke, MFR	5 of 6
Ijeoma Nwogwugwu	5 of 6
Philip Olufunwa	6 of 6

BOARD 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.

The Board delegates authority to its committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. 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. In addition to the vertical lines of responsibility and reporting, the committees communicate and work together where required.

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. At committee meetings, items are discussed and matters are endorsed, approved or recommended to the Board by the committee. Following meetings, the chairman of each committee provides the Board with a summary of the main decisions and discussion points so the non-committee members are kept up to date.

Below the Board committees is the Management Committee. The Management Committee has responsibility for making management and operational decisions about the day-to-day running of the Company. Reports from each of the committees on their activities during the year are set out on the following pages.

BOARD AUDIT, RISK & COMPLIANCE COMMITTEE

Bayo Odeniyi
Chairman, Board Audit, Risk & Compliance Committee

The Board Audit, Risk & Compliance Committee (BARAC) provides oversight of the audit and financial reporting process, the system of internal controls, compliance with laws and regulations and continuous monitoring of the activities of the Company's Audit, Risk & Compliance department. The Committee reports to the Board of Directors on all these activities.

The Committee met every quarter and discharged its oversight responsibility in relation to:

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

To achieve these, the Committee:

- advised and made recommendations to the Board and directed management on matters pertaining to the internal audit, risk and compliance functions as it considered necessary and 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 and compliance as considered appropriate;
- assessed the outcome of the audit process regarding 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, to follow up on exceptions raised.

Committee composition

The current composition of the BARAC as at 31 December 2015 is:

- Bayo Odeniyi - Chairman;
- Ijeoma Nwogwugwu - non-executive director; and
- Philip Olufunwa - non-executive director.

It was advised during the year that, based on best practices and to enhance objectivity of discussions, the Managing Director/CEO should not be part of the Committee as it should be composed of only non-executive directors. The MD/CEO therefore ceased to be a member of the Committee from the April 2015 meeting.

Review of the year

During the year ended 2015, the Committee held five meetings and approved reports, plans, policies and frameworks submitted by the Audit Risk & Compliance department. The Committee ensured that all approved reports, plans, policies and frameworks were in line with internal policies and regulatory requirements.

Key areas of focus in 2015

The BARAC, in performing its task ensured:

- integrity and completeness of the Company's financial reporting;
- oversight of the independence and objectivity of the external auditors;
- deepening engagement on governance controls, particularly risk management;
- adequacy and effectiveness of internal audit functions;
- internal quarterly reviews of audit, risk, control and compliance reports, with comments and appropriate directives given on timely resolution of highlighted issues;
- timely resolutions of observations noted during examination by regulators, external and internal audits;
- approval of plans, policies and manuals for audit, risk, compliance and internal control functions; and
- strict compliance to the PRA 2014 as enacted on 1 July 2014.

ROLES OF THE COMMITTEE

The Audit Committee is the cornerstone of a successful and credible financial reporting system. To this end, the Committee 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 Committee is responsible for ensuring that the Company complies with all relevant policies and procedures, both from the regulator and by Board of Directors.

The anticipated operating challenges due to the growth and deepening of the pension fund, the introduction of the New Pension Reform Act 2014 and other circulars and guidelines, were further reasons for the Committee 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, it reviewed and approved the audit plan and manual for 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.

Audit reports are prepared by the Company's Audit, Risk & Compliance department and submitted to the Committee every quarter, while the audit department of the parent company (FirstBank) performs an independent review of the activities of the Company and also submits its report annually to the Committee for consideration. The report highlights exceptions, control weaknesses 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 the auditors are independent in issuing their opinion on 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.

The Company has consistently improved its internal control system to ensure effective management of risks. The Committee reviewed the effectiveness of the system of internal control through regular reports and reviews at Board meetings.

LOOKING AHEAD FOR 2016

- Review and recommend the plans, policies and programmes of the Audit, Risk & Compliance department to the Board for approval
- Review and approve the Compliance Charter to ensure alignment with regulation and effective monitoring
- Review internal audit, control, risks and compliance reports every quarter and ensure timely resolution of issues raised
- Continue with the focus on training via formal and informal channels and information bulletins on issues that are relevant
- Enhance the level of information provided to and interaction with stakeholders
- Focus attention on business and regulatory environments

Membership and attendance

The Committee met five times and details of Committee membership and attendance during the year are set out below. Attendance is expressed as the number of meetings attended out of the total number held during the year to 31 December 2015.

NAME	ATTENDANCE
CHAIRMAN	
Bayo Odeniyi	5 of 5
EXECUTIVE	
Kunle Jinadu	2 of 5*
NON-EXECUTIVE	
Ijeoma Nwogwugwu	5 of 5
Philip Olufunwa	5 of 5
IN ATTENDANCE	
Tunde Folayan	5 of 5
Bunmi Aderonmu	1 of 5

*Was a member of the Committee up until February 2015, but ceased to be a member effective April 2015

BOARD GOVERNANCE COMMITTEE

Philip Olufunwa, Chairman, Board Governance Committee

The Board Governance Committee (BGC) is responsible for the review of the Board's structure, size and composition, including the identification, assessment and recommendation of potential Board candidates. The BGC also reviews development and succession plans for the Company's most senior executive and non-executive management. In addition, it has oversight of Board effectiveness and governance issues, as well as monitoring corporate governance developments and emerging best practice across our market.

The BGC considers the current Board composition suitable for the Company's business requirements. However, such matters are kept under active review, taking into consideration scheduled retirements of non-executive directors and the Company's future strategy. In planning for refreshing and renewing the Board's composition, we aim to ensure that changes take place without undue disruption and that there is an appropriate balance of experience and length of service. Vacancies generally arise in the context of either planned renewal of the Board, replacing directors who are due to retire, or adjusting the Board's balance of knowledge, skills, independence or diversity. In making recommendations, we pay appropriate regard to the independence of candidates, their ability to meet the expected time commitment involved and their suitability and willingness to serve on Board committees. The BGC also considers succession planning over the long term, for both executive and top management positions, to ensure that we have the right mix of skills and experience as the Company evolves and so that change can be effectively managed.

In addition to our work described above, we continued to monitor talent management and progress against action items identified as part of the Board effectiveness review carried out in 2014.

Matters considered

Matters the BGC considered during 2015 were:

- executive succession planning focusing on the identification, development and readiness of successors to the CEO;
- feedback on the key issues identified in the 2014 Board Appraisal report;
- updating of the corporate governance framework;
- consideration of changes to the Directors' Remuneration Policy and recommendation to the Board for approval;
- review of the succession planning framework for principal officers of the company and board; and
- review of enterprise performance management framework.

2016 priorities

- Executive succession planning
- External board evaluation
- Review of development initiatives for directors.
- Active participation in relevant regulatory consultations

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

Membership and attendance

The BGC met three times and details of its membership and attendance during the year are set out below. Attendance is expressed as the number of meetings attended out of the total number held during the year to 31 December 2015.

NAME	ATTENDANCE
CHAIRMAN	
Philip Olufunwa	3 of 3
NON-EXECUTIVE	
Bayo Odeniyi	3 of 3
UK Eke, MFR	3 of 3
IN ATTENDANCE	
Kunle Jinadu	3 of 3

BOARD FINANCE & GENERAL PURPOSE COMMITTEE

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

The Board Finance & General Purpose Committee (BFGP) oversees 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. The BFGP also has oversight for the effective execution of the overall strategy of the Company, makes recommendations to the Board on material staff welfare issues and provides direction on the alignment of information technology (IT) in driving the objectives of the business. The BFGP reviews, and, if appropriate, recommends to the Board issues considered at the various meetings.

This year, we continued to focus on the adequacy of policies and strategies for financial management and conditions of service of personnel. The BFGP reviewed the effectiveness of the investment strategy of Company-owned funds to ensure excellent risk-adjusted returns on investment. The BFGP also ensured that the IT department adequately supported the Company's objectives through the various projects embarked upon during the year.

Matters considered

Among the matters the BFGP considered during 2015 were:

- quarterly management accounts and other financial information as requested;
- post-implementation feedback from the review carried out by an external consultant on the new custody application (T24);
- updates on ongoing IT projects;
- the modified staffing structure, policies and procedures, as well as adjustments to conditions of service and compensation; and
- staff performance-based pay policy.

2016 priorities

The key priorities for the Committee in 2016 are:

- reviewing of the implementation status of the three-year strategic plan and 2016 approved budget; and
- continued alignment of the Company's three-year strategic objectives and technology plans.

Membership and attendance

Attendance is expressed as the number of meetings attended by a member out of the total number of meetings held during the year ended 31 December 2015.

NAME	ATTENDANCE
CHAIRMAN	
UK Eke, MFR	4 of 4
EXECUTIVE	
Kunle Jinadu	4 of 4
NON-EXECUTIVE	
Bayo Odeniyi	4 of 4
Ijeoma Nwogwugwu	4 of 4
IN ATTENDANCE	
Bunmi Aderonmu	4 of 4

EFFECTIVENESS

The Board's annual evaluation provides an opportunity to consider ways of identifying greater efficiencies, maximising strengths and highlighting areas for further development. It ensures the Board remains focused and meets targets for future improvement. Following comments captured in the 2014 Board effectiveness review, a number of actions were introduced to improve the effectiveness of the Board. Actions included: a review of the composition of the BARAC to comprise only non-executive directors to enhance the independence and overall effectiveness; an increase in the frequency of BGC meetings to enable it to fully discharge its roles and responsibilities; and a review of the Remuneration and Succession Planning Policy.

BOARD COMPOSITION

The successful delivery of our strategy depends upon attracting and retaining the right talent. This starts with having a high-quality Board. Balance is an important requirement for the composition of the Board, not only in terms of the number of executive and non-executive directors, but also in terms of expertise and backgrounds. The Board currently comprises one executive director, four non-executive directors and the Chairman. 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. 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 23 and 24.

MAKING BOARD MEETINGS MORE EFFECTIVE

The Chairman sets the Board's agenda in line with its responsibilities as set out in matters reserved for the Board. Due consideration is given to the main challenges and opportunities facing the Company, making sure adequate time is available to discuss all items, including strategic issues. To support discussion and decision-making, Board and committee members receive Board memoranda sufficiently in advance of meetings so that they can prepare for and consider agenda items. In addition, the Chairman holds a short meeting with the non-executive directors before each Board meeting to discuss the focus of the upcoming meeting, as well as afterwards to share feedback and discuss the dynamics of the meeting.

In 2015, a total of six scheduled meetings were held. Any director unable to attend a meeting is provided with the papers for review. Such directors reserve the right to discuss and provide comments to the Chairman, or can attend the meeting via conference call.

The management present reports on significant projects and events. In addition, regular reports are provided by management on 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 and directors' 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 four hours per session, but could take longer to allow for in-depth discussions on pertinent issues.

BOARD COLLABORATION

We believe that effective governance is realised through leadership and team work. Collaboration across all levels within the Board structure drives a culture of continuous improvement in standards and performance across our business. Collaboration between the Board members and executives ensures high-quality decision-making in all areas of strategy, performance, responsibility and accountability.

TRAINING

Directors' induction

All directors are expected to make an informed contribution based on an understanding of the Company's business model and the key challenges facing the Company and its businesses. Upon election, directors receive a comprehensive Directors' Information Pack and are briefed thoroughly on their responsibilities and the business through a tailored induction programme (facilitated by the Company Secretary and Chairman), which comprises: an introduction to the Board and a detailed overview of the Company, its strategy, operational structures, Board procedures, main business activities and competition. Alongside meetings with the executives, reading materials are also provided on Board Charters, the Governance Framework and applicable regulations.

Continuous development

The Chairman is responsible for the on going development of all directors. As the internal and external business environment changes, it is important to ensure the directors' skills and knowledge are refreshed regularly. We provide all directors with the opportunity to update and refresh their knowledge throughout the year, to enable them to continue to fulfil their roles as members of the Board and its committees. The directors are kept abreast of all applicable regulations and changes to rules, standards and codes.

During Board meetings, the Board receives regular updates and briefings on current business and emerging issues in the Company's business and operating environment to further strengthen the directors' knowledge and understanding of the Company's activities. Updates on corporate governance and regulatory matters are also provided at Board meetings.

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 EVALUATION

To ensure the best corporate 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 2015. The annual Board evaluation provided the Board and Board committees with important insights and enabled us to assess individual contributions and areas of improvement. The scope of the review focused on the Board's structure and composition, governance, calendar and agenda, responsibilities, planning and performances, and risk and control, as well as individual director competencies and respective roles in the performance of the Board and communication to stakeholders.

The process for the review consisted of: administration of an online survey to assess the effectiveness of the Board, its committees and individual directors and facilitate peer appraisal; one-on-one interview sessions with directors; feedback to the Board; and a recommended action plan.

Performance was felt to have improved. The independent consultant adjudged the performance of the Board, its committees, the Chairman and each of the directors continues to be effective in areas of governance and compliance. All directors demonstrated commitment to their roles. However, in other areas, performance was not considered to be as strong and members are aware there are several key areas that need to be addressed and potential changes that should be implemented to improve the Board's overall effectiveness. This includes Board secretarial support and succession planning amongst others. These now form the core of the 2016 Board action plan.

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 4.2 years.

CONFLICTS OF INTEREST

Directors of the Company avoid situations that might give rise to conflict between their personal interests and those of the Company. Prior to appointment, potential conflicts of interest are disclosed and assessed to ensure that there are no matters that would prevent that person from taking on the role. Directors are responsible for notifying the Chairman and Company Secretary as soon as they become aware of actual or potential conflict situations. In addition, conflicts are monitored as follows: the directors are required to complete a conflicts questionnaire on appointment and annually thereafter; changes to the commitments of all directors are reported to the BGC. If any potential conflict arises, the articles of association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine.

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. An external consultant was also engaged for the annual Board evaluation process.

ACTION PLAN FOR 2016

During the coming year, the Board is committed to:

- continuing to ensure appropriate debate and clarity around key business and strategic risks, and broadening Board scope on risk;
- focusing on driving performance, reviewing performance indicators and benchmarking;
- culture, values and people development; and
- developing our succession planning and gaining insights into high-potential individuals and their development in business.

ACCOUNTABILITY

RISK MANAGEMENT PHILOSOPHY

An organisation's success is largely driven by how wisely it takes risks and how effectively it manages the risks. FPCNL's risk management approach is guided by an approved enterprise-wide methodology and philosophy to ensure adequate and effective risk management. In addition, the methodology 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:

- sound risk management as the foundation of a long-lasting financial institution;
- governance of risk management by well-defined policies that are clearly communicated across the Company;
- clearly defining the Company's risk management governance structure;
- taking risk-related issues into consideration in all business decisions;
- reporting risks openly and fully to the appropriate levels once they are identified;
- making risk management a shared responsibility; and
- integrating risk management activities within the Company and across its value chain.

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 the amount and type of risk an organisation is willing to take in order to meet its strategic objectives. It is the maximum level of residual risk that a company is prepared to accept, and a core consideration in the management of risk. At FPCNL, the appropriate level of acceptable risk is contained in the Company's approved enterprise risk management framework.

FPCNL's risk appetite is primarily characterised by a clear risk strategy and monitoring and reporting procedure. This provides the foundation for 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 or portfolios that would 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 risk management framework of the Company in ensuring that management takes the steps necessary to identify, measure, monitor and control these risks.

To manage risk effectively, the company shall adopt the 'three lines of defence' model as follows:

- The first line of defence shall have those with direct responsibility for the management and control of risk in the Company. This will include staff in each business unit, core resource functions and the Board of Directors who are responsible for developing strong policies and high level oversight.
- The second line of defence shall comprise staff and officers responsible for the coordination of risk management, and include: the Internal Control and Risk Management unit, the Compliance unit, Management Committee, the Chief Risk Officer and the various risk functions. Internal Control performs first-level and continuous independent verification and testing of measures put in place to manage all risk across the Company.
- The third line of defence shall provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management function and framework. It shall involve the external and internal auditors, who are responsible for auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit shall also test the adequacy of internal controls and make appropriate recommendations where weaknesses are identified.

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 role of the RMU is to:

- set policies and define limits for other units in the Company;
- perform Company-wide risk monitoring and reporting;
- coordinate activities to provide a holistic view of risks across the Company; and
- make recommendations with respect to reward/sanctions based on risk reports.

The Information Technology (IT) support group provides relevant user support to the audit, risk and compliance functions in respect of various audit, control and compliance monitoring software.

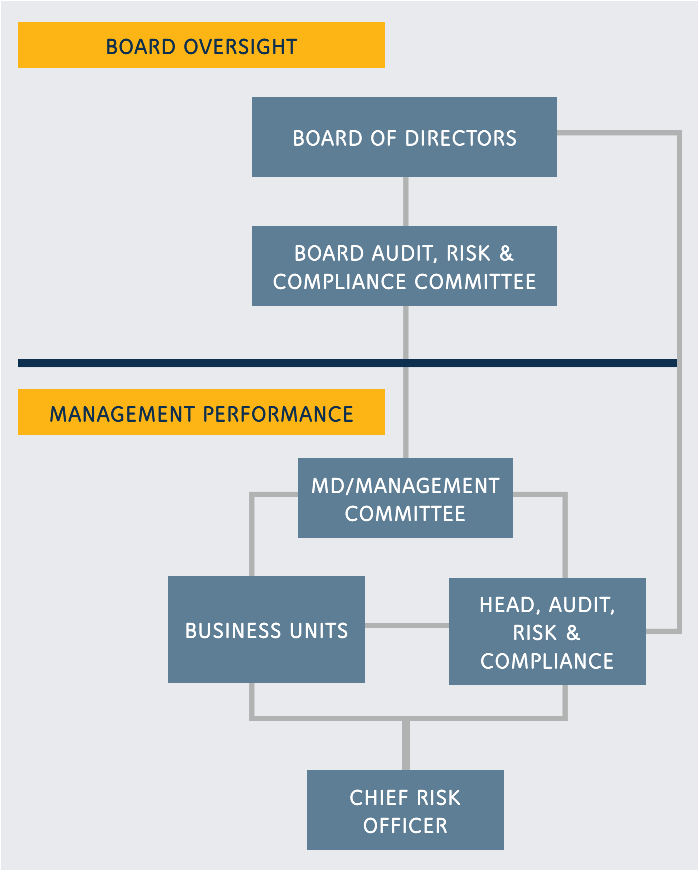
Relationships of risk management with other stakeholders

Risk governance and framework

The risk governance structure provides the Board and management, through various committees, with a platform to evaluate and deliberate on 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

The Board of Directors plays a vital role in ensuring that an effective Enterprise Risk Management programme is in place. The key levers in this process are the governance, policy and assurance (GPA). In performing this role, the Board:

- establishes an effective governance structure to oversee risk;
- establishes mechanisms to strengthen the risk management structure;
- approves the Company's risk appetite annually and monitors the risk profile against this appetite;
- ensures management takes the necessary steps to monitor and control risks;
- ensures management maintains an appropriate system of internal control and reviews its effectiveness;
- ensures risk strategies reflect the Company's risk tolerance;
- reviews and approves amendments to the risk management framework;
- reviews and approves risk management procedures and control for new products and activities;
- ensures that the Company implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk; and
- 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 this Committee is to provide oversight and advice to the Board in relation to current and potential risk exposures and risk strategies, including determination of risk appetite and tolerance. It is also responsible for promoting a risk awareness culture within the organisation.

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 that provides early identification of 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.

INTERNAL CONTROL

OVERVIEW

At FPCNL, internal control refers to the whole system of control (financial and otherwise) and overall operating framework of practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions that exist within the Company. Internal control is designed to ensure:

- compliance with applicable laws and regulations, including internal policies;
- systematic and orderly recording of transactions;
- provision of reasonable assurance that undesired events which could affect assets under custody will be prevented or detected and corrected; and
- identification and correction of material errors or mistakes in a timely fashion.

Internal audit complements the work of internal control by evaluating the effectiveness of the controls and advises management accordingly.

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. These include:

- verification and authentication of all client instructions by call-back confirmation and signature verification based on previously received mandates;
- maker-checker control on all transactions captured on applications;
- independent reviews of all processed instructions by control and audit staff;
- independent checks on all transactions by the compliance unit;
- controlled access to data and restricted areas;
- effective back-up and disaster recovery process; and
- clients updated daily on their account activity, to aid regular monitoring of inflow and of outflow into their accounts.

Internal control policies

FPCNL is committed to ensuring that the organisation's valuable resources, such as reputation and intellectual property, are protected. This results in a need to have an internal control policy to reduce exposure to operational risk, as well as ensuring compliance with local laws, regulations and organisational policies.

The aim of the internal control policy is to protect the organisation's assets against loss or misuse and to ensure that all transactions are properly authorised, thereby preventing fraud and errors. FPCNL policy standards relating to internal controls include:

- access to resources and records properly controlled and limited to only authorised personnel;
- an effective maker-checker ('4-Eyes') 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 limits put on expenditure approval;
- documentation of all transactions by business units, with all registers and/or files available for examination;
- the recording of transactions and other significant events;
- only persons acting within the scope of authority 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;
- leave policy that ensures individuals observe annual leave days;
- Audit, Risk & Compliance personnel are precluded from getting involved in processes that could jeopardise their independence; and
- constantly maintaining internal control awareness.

Effectiveness of internal control

The Managing Director/Chief Executive Officer 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 of the Audit, Risk & Compliance department oversees the Company's internal control procedures.

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

Objectives of internal control

The key objectives of internal control in FPCNL include:

- compliance with internal policies and procedures;
- compliance with global best practice;
- effectiveness and efficiency of operations;
- the safeguarding of assets;
- supporting the Company in meeting its essential business objectives;
- ensuring reliability of financial reporting;
- providing a reasonable assurance that undesirable events will be prevented or detected and corrected in line with international best practice;

- implementing recommendations of statutory/regulatory bodies and internal/external auditors following their examinations; and
- ensuring end-to-end security of all critical system applications and adequate security of the Company network.

Fraud management objectives

Risk management is crucial to fraud control, guiding the development of an effective fraud control plan and associated strategies and activities to minimise the opportunities for fraud to occur. Risk management provides a framework to identify, analyse, evaluate and treat fraud risks. Fraud management objectives include:

- preventing fraud occurrence or losses, and where prevention is not possible, prompting detection and mitigation;
- preventing a repeat of operational lapses and system defects that facilitate fraud incidents;
- minimising other operational loss associated with fraud; and
- automating fraud preventive and detective measures.

Internal control environment

The internal control environment sets the tone of an organisation's influence on the control consciousness of the people. FPCNL's internal control environment extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives and endeavours of all types, and at all levels in the company. The internal control environment includes:

- sound organisational structures;
- good corporate governance;
- an ethical Board;
- good internal control systems;
- excellent understanding of the Company's operations by staff;
- segregation of duties;
- an effective financial and management reporting system;
- strong regulatory environment; and
- good compliance culture by the Board, management and staff.

Learning from internal control failure

Learning comes in various forms. FPCNL places importance on reviewing mistakes and control failures, as this helps the learning process and guides against recurrence. When internal 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's compliance risk management framework details its approach to identifying, assessing, measuring, monitoring and managing compliance risk across all FPCNL's operations and processes. The framework is designed to drive its conformity to applicable laws, regulations, codes of conduct and standards of good practice, as well as prevent regulatory penalties or loss.

The framework defines roles and responsibilities for the different parties involved in the compliance risk and management process, including the Board of Directors, Board committees, management, the Audit, Risk & Compliance department and staff.

Whistleblowing

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

Whistleblowing 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 action. The reputation of the Company is of the utmost importance, and all staff have a responsibility to protect the Company from persons or acts that might jeopardise its reputation.

Some of FPCNL's whistleblowing measures are highlighted below:

- Adherence to the Whistle Blowing Guidelines for pension operators issued by the National Pension Commission (PenCom) is expected, in line with FPCNL's commitment to good corporate governance and transparency.
- Pencom's Whistle Blowing Guidelines are circulated periodically to staff and everyone is encouraged to follow their dictates.
- Internal control, Audit, Risk & Compliance department, performs independent checks on all areas, and reports breaches discovered to management periodically and to the Board (during the quarterly meetings).
- Regulatory breaches of the Company and the pension fund administrator (PFA) clients are reported in the monthly exception report sent to PenCom.
- Staff members are encouraged to report breaches noticed to the Chief Compliance Officer.
- Issues can also be reported under anonymity.
- The Head of Audit, Risk & Compliance is responsible for monitoring and reporting on whistleblowing.

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 2015.

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 after tax for 2015 amounted to ₦2.42 billion (31 December 2014: ₦1.71 billion).

DIRECTORS AND THEIR INTERESTS

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

Umar Yahaya
Chairman

Kunle Jinadu
Managing Director/CEO

Bayo Odeniyi
Non-executive director

UK Eke, MFR
Non-executive director

Ijeoma Nwogwugwu
Non-executive director

Philip Olufunwa
Non-executive director

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 9 to the financial statements. In the directors' 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 ₦0.25kobo 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 ₦0.50kobo per ordinary share of ₦1, bringing the total dividend for the financial year ended 31 December 2015 to ₦0.75kobo (2014: ₦0.43kobo).

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 2015, 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.

- 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 that particularly affect them as employees.

  In accordance with the Company's policy of continuous development, employees 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.

The average number of employees during the year by gender and level is as follows:

Employees

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Employees	47	25	72	65	35

Board and top management staff

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Board members (executive and non-executive)	5	1	6	83	17
Top management (principal manager – general manager)	3	1	4	75	25
	8	2	10	80	20

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

Odebunmi

Adewunmi Odebunmi
Company Secretary
FRC/2016/NBA/00000014065
35, Marina, Lagos

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.

CHIEF RISK OFFICER'S REPORT

Tunde Folayan, Head, Audit, Risk & Compliance

> *"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."*

INTRODUCTION

Risk is the uncertainty being faced in the successful implementation of strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success and survival of the organisation.

In the course of conducting business operations, FPCNL is exposed to a variety of risks that require adequate risk management, oversight and control. Throughout 2015, the Company took an active approach to risk management and has continued to build on capability, ensuring that risks were appropriately addressed and well understood.

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 strict adherence to its risk appetite as set by the Board, while considering the wider interests of other stakeholders, including contributors, pensioners and regulators.

The tone for a responsive and accountable risk management culture at FPCNL is set at Board level and flows down through management to each employee. 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.

The control procedures and systems established within the Company are designed to manage the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking with the achievement of business objectives.

Material risks will only be retained where this is consistent with FPCNL's risk appetite framework and its philosophy towards risk taking. The Company's current approach is to retain such risks where doing so contributes to value creation and the Company is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes and controls to appropriately manage the risk.

MAJOR EVENTS IN THE PENSION INDUSTRY

The Nigerian pension industry witnessed various activities and challenges during 2015. The industry was not immune to the severe macroeconomic challenges faced by the wider economy, caused mainly by the fall in crude oil prices and the slump experienced in the equity market worldwide.

Low oil prices increased the supply gap in foreign exchange markets, thereby putting significant pressure on the naira; as a result, the value of the naira remained low against foreign currencies. This has caused some employers, especially oil exploration companies, either to lay off staff due to cuts in production or reduce overheads by others means. This trend has had a negative impact on the membership base, while the slump in the equity market has had a similarly negative effect on the market value of pension fund assets.

Some notable events that occurred in the industry include:

- The second World Pension Summit 'Africa Special' was held in Abuja, Nigeria, on 5 and 6 October 2015. The summit provided a platform from which pension professionals could exchange knowledge and ideas on the security of pension funds, providing service efficiency through the use of IT, proper management of pension funds and using funds for developmental purposes. The summit also provided an avenue for countries and regions to learn from the experience of each other and from the world at large.
- The Pension Transitional Arrangement Directorate (PTAD), an agency of the Federal Government, became operational in 2015.
- The deadline for compliance with the directive of the National Pension Commission (PenCom) disallowing the use of outsourced staff for the performance of pension administration and custodial services expired in February 2015.
- PenCom's circular, PENCOM/INSP/CIR/SURV/15/14, of 14 August 2015 directed all pension fund operators to obtain prior approval of the Commission for all transfer and acquisition of shares of

pension fund administrators/pension fund custodians (PFAs/ PFCs). In the same vein, the Commission issued another circular that re-emphasised its existing rule that no individual, group of individuals or company shall have direct or indirect ownership/ shareholding of 5% and above in more than one PFA or PFC. This is to avoid the potential conflict of interest that may arise as a result of such actions.

- In line with section 89 (2) of the Pension Reform Act (PRA) 2014, PenCom issued draft guidelines on withdrawals from Retirement Savings Accounts (RSA) towards equity contribution for payment of residential mortgage. When finalised, the guidelines will enable RSA holders to use part (maximum 25%) of their RSA contribution towards the payment of equity contribution for residential mortgage. The release of the guideline is awaited.

The Commission released further circulars and guidelines in 2015 to direct the operations of the pension business as follows:

1. Guidelines for the Registration of Contributor/Member
   The guidelines establish rules and standards for the registration of contributors in both the formal and informal sectors.
2. Revised Regulations for the Transfer of Retirement Savings Accounts
   The regulations set out the modalities for the seamless transfer of RSAs from one PFA to another. These regulations also seek to enhance ethical competition among the PFAs and improve service delivery to RSA holders.
3. Circular on Valuation of Bonds
   The circular aims to standardise the methodology for the computation and valuation of bonds.
4. Circular on Investment of Pension Funds in State and Local Government Bond Instruments
   The circular provides further guidance on investment of pension funds in state-issued and local government-issued bonds.
5. Circular on Management of the Statutory Reserve Fund
   The circular makes it mandatory for PFAs to maintain the statutory reserve fund with a licensed PFC and provides guidance to operators on management of the account.
6. Circular on Tax Exemption on Pension Fund Investments
   The circular was issued to clarify the tax exemption status of pension funds.
7. Circular on Request for 'No Objection Letters' from the Commission by Issuer/Financial Advisers in the Nigerian Capital Market
   The circular is in response to various requests for 'No Objection Letters' from the Commission on investment decisions. The Commission referred operatives to the dictates of the Investment Guidelines.
8. Circular on Transfer/Changes in Shareholding Structure of Licensed Pension Fund Operators
   The circular directed all pension fund operators (PFOs) to obtain prior approval from PenCom before the transfer and acquisition of PFA/PFC shares.
9. Circular on Establishment of Customer Contact Centre by Pension Fund Administrators
   The circular mandates PFAs to establish a customer contact centre for dealing with requests/ complaints by telephone or email and where clients can walk in to get their enquiries and complaints resolved.
10. Addendum to Circular on Client Familiarity Index (CFI) for All Pension Fund Administration
   This is an addendum to the earlier CFI circular in pursuant to the guidelines for the registration of contributor. It enumerated further information and space required to be created on the form for electronic biometric certification of 10 fingers, photograph and signature.

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 2015.

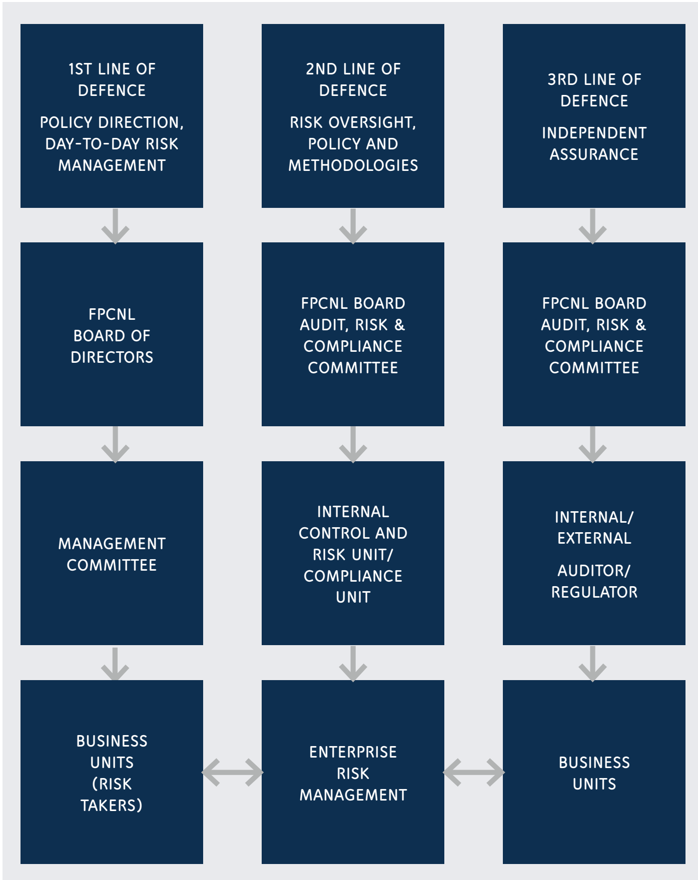
Risk management approach

Risk management is implemented in accordance with policies approved by the Board of Directors and in line with PenCom 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:

- business units that interface with clients and originate the risk;
- control staff expected to provide risk oversight and controls; and
- internal audit that provides validation and assurance on 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 have been identified, measured, managed and categorised accordingly. Appropriate steps 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:

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 to loss of business and damage to the Company's reputation.

Regulatory compliance is managed by the Audit, Risk & Compliance department. FPCNL's approach to managing risk exposures is proactive and guided by the Board-approved framework, policies and procedures. 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 rule book, which is accessible to all staff.

The Compliance unit, under the leadership of the Head of Audit, Risk & Compliance, is well positioned to guard against the risk of failure to comply with applicable laws and regulations, regulatory policies, codes, procedures and ethical standards, which may result in regulatory sanctions and financial or reputational loss. It also ensures that statutory and regulatory requirements are adhered to and that breaches are promptly reported. In addition, the unit organises compliance awareness training and periodically circulates PenCom regulations and circulars as well as Board-approved internal policies.

Although the Board of Directors 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.

OPERATIONAL RISK MANAGEMENT

Beyond complying with regulatory requirements, FPCNL has a low appetite and tolerance for the material operational risks to which it is exposed. Consequently, all appropriate measures are taken towards achieving a high level of operational risk awareness and the establishment of a rigorous operational risk management system Company-wide. Specifically, the Company pursues:

- zero tolerance for regulatory infractions and penalties;
- the highest ethical standards at all times;
- zero tolerance for fraud;
- appropriate policies and processes at all times;
- appropriate risk assessment and controls in exploiting new business opportunities; and
- low tolerance for system downtimes and business disruptions.

During 2015, 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, and follow-up on stocks positions and corporate action entitlements, failed trade, errors in processing payments and transfers, and other forms of risks that could cause losses.

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 include:

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

REPUTATIONAL RISK MANAGEMENT

Reputational damage 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 retain 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 decline in its reputation. The Company also promotes sound business ethics among its employees.

During 2015, FPCNL did not compromise its reputation through unethical, illegal or unprofessional conduct.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Company is unable to meet its contractual and contingent financial obligations when they fall due, or has to meet such obligations at an excessive cost. This usually occurs due to the inability to convert a security or asset to cash without a loss of capital and/or income to meet the short-term financial demand.

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

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

Most of the company's transactions are naira denominated, hence fluctuations in foreign exchange currencies do not have a negative impact on the organisation. Also, cash flow planning and other liquidity management techniques are employed to mitigate this risk.

The Company's liquidity management process is managed by the Head, Safekeeping and 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, following entrenched sound corporate governance practices, and identifying significant legal risks as well as assessing their potential impact and establishing adequate mitigating controls.

In 2015, legal risk management was carried out through proper management of various sources from which this risk could occur. Some of the controls adopted were:

- service level agreements (SLAs) executed between clients and various service providers, and monitored to ensure compliance;
- continuous review and monitoring of contingent liabilities reports; and
- continuous review of contracts.

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 IT systems and services 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 in place to mitigate such events. To this end, the Company is able to run operations from a disaster recovery site located away from the vicinity of the main office. This alternative location is regularly tested and provides online replication of the main office transactions.

In addition to the above measures, data is backed up on tape and stored in an approved location away from the main office. These tapes are tested at intervals to confirm that backed-up data is retrievable.

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.

FOCUS IN 2016

The regulatory framework has continued to evolve with various guidelines and circulars issued by PenCom. A number of draft guidelines issued in 2015 are expected to be finalised and issued for adoption between the first and second quarter of 2016, and are anticipated to come with their respective risks. The strategic focus of the industry at widening the membership base has also engendered discussion around bringing the informal sector into the system and the plan to open the transfer window.

Our focus for 2016 is to proactively prepare for major risks that may arise from these unexpected events. Essentially, this will be to enhance the risk function and improve risk awareness within the organisation. The key strategies to drive this mission will be to:

- further review and update the risk register especially in anticipation of expected guidelines;
- 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 will continue to build the culture of an enabling business environment through the development and implementation of a robust/sound enterprise risk management framework and enhanced risk culture across the organisation. Our aim is to maintain risk at acceptable levels while avoiding transactions and portfolios that are inimical to the system and to the industry at large. The Head of the Audit, Risk & Compliance department champions risk-related matters in the organisation, fully supported by management, while the Board of Directors provides an oversight function on these matters.

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

The directors of First Pension Custodian Nigeria 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 2015, 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 and 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 2015 were approved by the Board of Directors on 11 March 2016.

On behalf of the directors of the Company

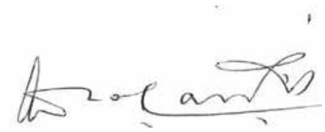
Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

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

AUDIT, RISK & COMPLIANCE COMMITTEE STATEMENT

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 31 December 2015 and state as follows:

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



Bayo Odeniyi

Chairman, Audit, Risk & Compliance Committee

FRC/2015/VCN/00000011082
11 March 2016

Members of the Committee
Ijeoma Nwogwugwu
Philip Olufunwa

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 2015, 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, and the 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 2015 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 statement of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

During the year the Company contravened certain sections of the Pension Reform Act of 2014 for Pension Custodian, the details of the contraventions and related penalties are disclosed in note 25.

Ojo Joshua

FRC/2013/ICAN/00000000849

For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria

24 March 2016

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

STATEMENT OF PROFIT OR LOSS

	Note	2015 ₦'000	2014 ₦'000
Custody fees	4	**4,181,933**	3,517,904
Interest income	5	**757,265**	506,359
Other income	6	**8,323**	8,492
Total income		**4,947,521**	4,032,755
Personnel expenses	7.1	**333,303**	382,459
Depreciation and amortisation	7.2	**116,285**	140,421
Directors' emoluments	20a	**157,693**	188,940
Other operating expenses	7	**931,470**	827,554
Total operating expenses		**1,538,751**	1,539,374
Profit before income tax		**3,408,770**	2,493,381
Income tax expense	8	**(991,981)**	(781,639)
Profit for the year		**2,416,789**	1,711,742
Basic earnings per share (kobo)	26	**121**	86

The notes to the financial statements form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	2015 ₦'000	2014 ₦'000
Profit for the year		**2,416,789**	1,711,742
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on post employment obligations		-	-
Deferred tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**2,416,789**	1,711,742

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 ₦'000	2014 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,130,266	994,072
Intangible assets	10	53,727	97,972
Deferred tax assets	11	111,323	71,981
		1,295,316	1,164,025
Current assets			
Loans and other receivables	12	589,899	501,920
Other assets	13	160,796	65,940
Investment securities	14	1,554,339	5,059,871
Cash and short-term funds	15	5,958,086	209,032
		8,263,120	5,836,763
Total assets		9,558,436	7,000,788
EQUITY AND LIABILITIES			
Equity			
Share capital	16	2,000,000	2,000,000
Retained earnings		4,525,867	3,399,011
Total equity		6,525,867	5,399,011
Non-current liabilities			
Retirement benefit obligations	17	38,543	90,582
		38,543	90,582
Current liabilities			
Creditors and accruals	18	1,534,510	461,799
Income tax liabilities	8	1,459,516	1,049,396
		2,994,026	1,511,195
Total liabilities		3,032,569	1,601,777
Total equity and liabilities		9,558,436	7,000,788
Pension assets under custody	19.1	1,814,340,864	1,514,882,901
Non-pension assets under custody	19.2	299,954,655	300,321,681

These financial statements were approved by the Board of Directors on 11 March 2016 and signed on its behalf by:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Managing Director/CEO
FRC/2013/ICAN/00000002122

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

The notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital ₦'000	Other reserves ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance as at 1 January 2015	2,000,000	-	3,399,011	5,399,011
Profit or loss for the year	-	-	2,416,789	2,416,789
Other comprehensive income or loss	-	-	-	-
Total comprehensive income or loss	2,000,000	-	5,815,800	7,815,800
Dividend paid	-	-	(1,289,933)	(1,289,933)
Total transactions with owners of the Company as at 31 December 2015	2,000,000	-	4,525,867	6,525,867
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

STATEMENT OF CASH FLOWS

	Note	2015 ₦'000	2014 ₦'000
Profit for the year		**2,416,789**	1,711,742
Income tax charge	8	**991,981**	781,639
Profit before income tax		**3,408,770**	2,493,381
Adjustment for non-cash items			
Depreciation of property and equipment		**62,100**	82,590
Amortisation of intangibles		**54,185**	57,831
Withholding tax credit applied on tax payment		**-**	(6,665)
(Gain)/Loss on disposal of property and equipment		**4,365**	13,486
Retirement benefit (expense)/gain		**-**	17,241
Allowances for doubtful accounts		**(5,096)**	4,012
Employee benefit liability	17	**(52,039)**	(252,684)
Changes in operating assets and liabilities			
Other receivables		**(82,885)**	(84,004)
Other assets and prepayments		**(94,855)**	7,654
Creditors and accruals		**1,072,711**	(18,482)
Cash generated from operations		**4,367,256**	2,314,361
Income taxes paid	8	**(621,202)**	(496,060)
Net cash generated/(used in) from operating activities		**3,746,054**	1,818,301
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	**(202,859)**	(60,074)
Proceeds from sale of property, plant and equipment		**200**	19,161
Acquisition of intangibles	10	**(9,940)**	-
Purchase of investment securities		**3,484,138**	(877,250)
Net cash generated/(used in) from operating activities		**3,271,539**	(918,163)
Cash flows from financing activities			
Dividend paid		**(1,289,933)**	(1,002,856)
Net cash (used in)/generated from financing activities		**(1,289,933)**	(1,002,856)
Net increase/(decrease) in cash and cash equivalents		**5,727,660**	(102,718)
Increase in cash and cash equivalents		**5,727,660**	(102,718)
Cash and cash equivalents at start of year		**270,451**	373,169
Cash and cash equivalents at end of year	15	**5,998,111**	270,451

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

First Pension Custodian Nigeria Limited 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 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 measurement

i The financial statements have been prepared on a historical cost basis.

ii Measurement of financial and non-financial assets
Financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

iii Functional and presentation currency
These financial statements are presented in Nigerian naira, which is the functional currency. Except otherwise indicated, financial information presented in naira have been rounded to the nearest thousand.

iv Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria for the financial year starting 1 January 2014. The financial statements were authorised for issue by the directors on 11 March 2016.

v Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are disclosed in note 21.

2.2 Changes in accounting policy and disclosures

New and revised IFRSs for 2015 annual financial statements
Amendments to IFRSs that are mandatorily effective for the year ended 31 December 2015

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
- Amendments to IFRSs *Annual Improvements to IFRSs 2010-2012 Cycle*
- Amendments to IFRSs *Annual Improvements to IFRSs 2011-2013 Cycle*

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
(Effective for annual periods beginning on or after 1 July 2014)

The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the remeasurement of the net defined benefit liability (asset).

- If contributions are linked to services, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service cost by attributing it to the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

The amendment requires retrospective application. The Company does not have severance transactions in its books and therefore will not be affected.

Annual Improvements to IFRSs 2010-2012 Cycle
(Effective for annual periods beginning on or after 1 July 2014, except as detailed below)

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below.

STANDARD	SUBJECT OF AMENDMENT	DETAILS
IFRS 2 *Share-based Payment*	Definition of vesting condition	The amendment is to clarify the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to a share-based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of 'vesting condition'. Specifically: · For 'market condition', the amendment indicates that it is a performance condition that relates to the market price or value of the entity's equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service. · For 'performance condition', the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity's own operations or activities of another entity in the same group. The amendment requires prospective application, i.e., entities should apply the amendment prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 *Business Combinations*	Accounting for contingent consideration in a business combination	The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss. The amendment to IFRS 3 requires prospective application, i.e., entities should apply the amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014.
IFRS 8 *Operating Segments*	(i) Disclosure about judgements involved in deciding whether or not to aggregate operating segments (ii) When reconciliation of the total of the reportable segments' assets to the entity's assets is required	The amendment (i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets is regularly provided to the chief operating decision-maker.

STANDARD	SUBJECT OF AMENDMENT	DETAILS
IFRS 13 *Fair Value Measurement*	Short-term receivables and payables	The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance 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. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.
IAS 16 *Property, Plant and Equipment* *IAS 38* *Intangible Assets*	Revaluation method proportionate restatement of accumulated depreciation (amortisation)	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.
IAS 24 *Related Party Disclosures*	Key management personnel	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the 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 compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.
IFRS 3 *Business Combinations*	Scope exceptions for joint ventures	The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
IFRS 13 *Fair Value Measurement*	Scope of paragraph 52 (portfolio exception)	The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group 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.

STANDARD	SUBJECT OF AMENDMENT	DETAILS
IAS 40 *Investment property*	Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether: (a) the property meets the definition of investment property in accordance with IAS 40; and (b) the transaction meets the definition of a business combination in accordance with IFRS 3. An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e., 1 July 2014) if and only if the information needed to apply the amendment to the earlier transactions is available to the entity.

As mentioned above, the amendment requires an entity to assess whether the acquisition of an investment property is an asset acquisition or a business combination in accordance with IFRS 3. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants. Specifically, IFRS 3 states that a business consists of inputs and processes that have the ability to create outputs. To qualify for the definition of a business, the integrated set of activities and assets should have two essential elements – inputs and processes; outputs are not necessarily required (although businesses usually have outputs).

In considering whether the acquisition of an investment property is an asset acquisition or a business combination, significant judgement is required taking into account the specific facts and circumstances surrounding each transaction. Below is a summary of key accounting differences between an asset acquisition and a business combination.

	ACQUISITION OF ASSET(S)	BUSINESS COMBINATION
What is the applicable standard?	Various IFRSs (e.g., IAS 40, IAS 16 *Property, Plant and Equipment*, IAS 2 Inventories) IFRS 3.2(b) scopes out acquisition of an asset or a group of assets that does not constitute a business from IFRS 3.	IFRS 3
How to account for the consideration for the acquisition?	Consideration paid and payable would be allocated among the assets acquired.	Both consideration paid and payable as well as assets acquired have to be measured at fair value at the date of business combination.
How to account for the transaction costs?	Follow the applicable IFRSs (e.g., IAS 40, IAS 16 and IAS 2). For example, IAS 2, IAS 16 and IAS 40 require properties to be initially measured at cost which generally includes directly attributable transaction costs.	IFRS 3 generally requires transaction costs to be expensed in profit or loss immediately.
Would the acquisition give rise to any goodwill/ bargain purchase?	No	Any excess of the consideration over the identifiable net assets of the acquiree should be recognised as goodwill. Annual impairment assessment on goodwill is required. Any excess of the identifiable net assets of the acquiree over the consideration should be recognised in profit or loss as a gain on bargain purchase (after reassessment per IFRS 3.36).

	ACQUISITION OF ASSET(S)	BUSINESS COMBINATION
Is there any additional deferred tax to be recognised at the date of the acquisition?	IAS 12.15(b) and 24(b) prohibit the recognition of a deferred tax liability (asset) for taxable temporary (deductible) difference respectively if it arises from the initial recognition of an asset in a transaction which is not a business combination and does not affect either accounting profit or taxable profit at the time of the transaction.	Yes, deferred tax assets or liabilities should be recognised at the date of business combination in relation to, for example, fair value adjustments made at the date of business combination.

The Company will not be affected by these improvements as none of these account balances or transactions are carried by the Company during the course of the year.

2.3 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2015

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2015:

- IFRS 9 *Financial Instruments*;
- IFRS 14 *Regulatory Deferral Accounts*;
- IFRS 15 *Revenue from Contracts with Customer*s;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*;
- Amendments to IAS 1 *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*; and
- *Annual Improvements to IFRSs 2012-2014 Cycle.*

i IFRS 9 *Financial Instruments* (as revised in 2014) (Effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write-down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair values through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change 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 FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects 'expected' credit losses, as opposed to 'incurred' credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as 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 no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2014. The project is under redeliberation.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

ii IFRS 14 *Regulatory Deferral Accounts* (Effective for first annual IFRS financial statements with annual periods beginning on or after 1 January 2016)

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted.

iii IFRS 15 *Revenue from Contracts with Customers* (Effective for annual periods beginning on or after 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date:

- IAS 18 *Revenue*;
- IAS 11 *Construction Contracts*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 18 *Transfers of Assets from Customers*; and
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services*.

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if IFRS 9 is adopted early).

As mentioned above, the new revenue standard has a single model to deal with revenue from contracts with customers. Its core principle 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.

The new revenue standard introduces a five-step approach to revenue recognition and measurement:

Step 1: Identify the contract 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.

Far more prescriptive guidance has been introduced by the new revenue standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

iv Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (Effective for annual periods beginning on or after 1 January 2016)

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute 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 12 *Income Taxes* regarding recognition of deferred taxes at the time of acquisition and 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.

Entities should apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. Earlier application is permitted.

v Amendments to IAS 1 *Disclosure Initiative* (Effective for annual periods beginning on or after 1 January 2016)

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method *that will not be reclassified subsequently to profit or loss*; and
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method *that will be reclassified subsequently to profit or loss.*

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. Application of the amendments need not be disclosed.

vi Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (Effective for annual periods beginning on or after 1 January 2016)

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. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset; or

b when it can be demonstrated that revenue and the 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 with earlier application permitted.

vii Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (Effective for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted. As a transitional provision, entities need not disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required. Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognised in opening retained earnings at the beginning of the earliest period presented.

viii Amendments to IAS 27 *Equity Method in Separate Financial Statements* (Effective for annual periods beginning on or after 1 January 2016)

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures.*

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

ix Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Effective for annual periods beginning on or after 1 January 2016)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted. In the June 2015 IASB meeting, the IASB tentatively decided to defer the mandatory effective date of these amendments.

x Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 *Disclosures of Interests in Other Entities*.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Annual Improvements to IFRSs 2012-2014 Cycle
(Effective for annual periods beginning on or after 1 January 2016)

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below.

STANDARD	SUBJECT OF AMENDMENT	DETAILS
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal	The amendment introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.
IFRS 7 *Financial Instruments: Disclosures* (with consequential amendments to IFRS 1)	(i) Servicing contracts (ii)Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements	The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 *Interim Financial Reporting*.
IAS 19 *Employee Benefits*	Discount rate: regional market issue	The amendment clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high-quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high-quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.
IAS 34 *Interim Financial Reporting*	Disclosure of information included 'elsewhere in the interim financial report'	The amendment clarifies the requirements relating to information required by paragraph 16A of IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendment requires that such information to be included either in the interim financial statements or incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the company do not anticipate that the application of these amendments will have a material effect on the financial statements.

2.4 Financial assets and liabilities

2.4.1 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 2015 and 2014, the Company had no available-for-sale financial assets but held investments to maturity.

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:

i 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;

ii those that the Company upon initial recognition designates as available for sale; or

iii 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'.

2.4.2 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 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.

2.4.3 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, foreign exchange 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.

2.4.4 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.

2.4.5 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

2.4.6 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.

2.5 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.

2.6 Revenue recognition

Custody fees

Custody fees represent fees earned by the Company for holding pension fund assets on behalf of pension fund beneficiaries and their administrators. Fees are also earned from AMCON and non-proprietary business lines in respect of treasury bills, bonds, etc., held on behalf of clients. 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.

2.7 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.

2.8 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.

2.9 Property, plant and equipment

All property, plant and equipment are 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:

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

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.

2.10 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 three 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.

2.11 Taxation

a 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.

b 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.

2.12 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.

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.

2.13 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provisions 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 are 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.

2.14 Share capital

Dividend 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.

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

2.15 Assets under custody

These assets represent 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.

2.16 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 with changes in presentation in the current year.

2.17 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 (MANCO) that makes strategic decisions. The Company has only one operating segment, hence we are not doing segment reporting.

2.18 Going concern

The MANCO has made an assessment of its 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.

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 fulfil 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 2015 ₦'000	31 December 2014 ₦'000
<30 days	**364,323**	298,034
30-90 days	**121,254**	106,663
91-180 days	**53,195**	26,758
>180 days	**32,569**	56,823
Total	**571,341**	488,278

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 fees 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 amount has 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 to 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 is 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 ₦7.5 billion which are 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 2015	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	**93,490**	**-**	**-**	**-**

At 31 December 2014				
Accounts payable	29,672	-	-	-

3.3 Market risk

The Company takes on exposure to market risk, 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 2015	Carrying amount ₦'000	Variable interest ₦'000	Fixed interest ₦'000	Non-interest-bearing ₦'000
Assets				
Cash and short-term funds	**5,958,086**	**5,958,086**	**-**	**-**
Investment securities	**1,554,339**	**-**	**1,554,339**	**-**
Staff loans	**19,681**	**-**	**19,681**	**-**
Other assets	**2,026,330**	**-**	**-**	**2,026,330**
31 December 2014				
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	1,712,023	-	-	1,712,023
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).

3.7 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

	At 31 December 2015		At 31 December 2014	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and short-term funds	5,958,086	5,958,086	209,032	209,032
Investment securities (held to maturity)	1,554,339	1,554,339	5,059,871	5,059,871
Staff loans	19,681	19,681	19,861	19,861
Other receivables	570,218	570,218	482,059	482,059
Financial liabilities				
Account payables	93,490	93,490	29,672	29,672

(b) 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

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

5 INTEREST INCOME

	At 31 December 2015 ₦'000	2014 ₦'000
Placements	62,196	7,872
Treasury bills	688,655	491,381
Current account	1,369	1,263
Others	5,045	5,843
Total	757,265	506,359

6 OTHER INCOME

	2015 ₦'000	2014 ₦'000
Administration/processing fees	4,332	1,195
Sundry income	3,991	7,297
Total	8,323	8,492

7 OTHER OPERATING EXPENSES

	Note	2015 ₦'000	2013 ₦'000
Auditors' remuneration		**10,000**	10,000
Passage, travel and medical expenses		**38,935**	43,708
Corporate promotions & Statutory fee		**25,988**	88,097
Maintenance		**91,955**	94,206
Bank and sundry charges		**34,662**	10,271
Training		**35,795**	37,857
Losses		**4,319**	5,376
Loss on disposal of PPE		**4,565**	13,486
Donations and subscriptions		**42,778**	33,043
Postages, light and printing		**21,625**	25,392
Provision for doubtful receivables		**15,371**	5,000
Insurance premiums, rent and rates		**38,096**	28,679
Amortisation of prepaid employee benefit		**2,717**	3,242
Professional fees and other consultancy costs		**56,600**	23,116
Other expenses		**473,950**	381,147
Information technology levy		**34,114**	24,934
Total		**931,470**	827,554

7.1 Personnel expense

	At 31 December 2015 ₦'000	At 31 December 2014 ₦'000
Staff costs (excluding executive directors)		
Wages and salaries	321,938	316,473
Defined contribution plan	11,365	10,446
Retirement benefit cost – gratuity (Note 17)	-	55,540
Total	333,303	382,459

a The average number of persons employed by the Company during the year was as follows:

	At 31 December 2015 Number	At 31 December 2014 Number
Executive	1	1
Management	5	5
Non-management	66	56
Total	72	62

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

	At 31 December 2015 Number	At 31 December 2014 Number
₦300,000-2,000,000	53	43
₦2,000,001-2,800,000	5	5
₦2,800,001-3,500,000	4	4
₦3,500,001-4,000,000	3	3
₦4,000,001-5,500,000	2	2
₦5,500,001 and above	4	4
Total	71	61

7.2 Depreciation and amortisation

	Note	At 31 December 2015 ₦'000	At 31 December 2014 ₦'000
Depreciation	9	62,100	82,590
Amortisation	10	54,185	57,831
Total		116,285	140,421

8 INCOME TAX EXPENSE

	Note	2015 ₦'000	2014 ₦'000
Corporate tax		965,921	688,951
Education tax		65,402	47,801
Current income tax – current year		1,031,323	736,752
Origination and reversal of temporary deferred tax differences	11	(39,342)	44,887
Total income tax expense		991,981	781,639

The movement in the current income tax payable balance is as follows:

	2015 ₦'000	2014 ₦'000
At 1 January	1,049,396	815,369
Tax paid	(621,202)	(496,060)
Withholding tax credit utilised	-	(6,665)
Income tax charge	1,031,322	736,752
At 31 December	1,459,516	1,049,396

Reconciliation of effective tax rate

	2015 ₦'000	2014 ₦'000
Profit before income tax	3,408,770	2,493,381
Tax using domestic rate of 30% (2014: 30%)	1,022,631	748,014
Non-deductible expenses	164,981	116,417
Education tax levy	65,402	47,801
Tax exempt income	(206,589)	(147,414)
Tax incentives	(54,444)	16,821
Income tax expense	991,981	781,639

9 PROPERTY, PLANT AND EQUIPMENT

Cost	Land ₦'000	Work in progress ₦'000	Computer and office equipment ₦'000	Motor vehicles	Total
Balance as at 1 January 2015	864,228	-	300,265	144,578	1,309,071
Additions	-	199,648	3,211	-	202,859
Disposals	-	-	-	(17,940)	(17,940)
Balance as at 31 December 2015	864,228	199,648	303,476	126,638	1,493,990
Depreciation and impairment losses					
Balance as at 1 January 2015	-	-	233,593	81,406	314,999
Depreciation for the year	-	-	31,008	31,092	62,100
Disposals	-	-	-	(13,375)	(13,375)
Balance as at 31 December 2015	-	-	264,601	99,123	363,724
Net book value					
At 31 December 2015	864,228	199,648	38,875	27,515	1,130,266
At 31 December 2014	864,228	-	66,672	63,172	994,072

10 INTANGIBLE ASSETS

	31 December 2015 ₦'000	31 December 2014 ₦'000
Computer software		
Cost		
At 1 January 2015	256,568	256,568
Additions	9,940	-
At 31 December 2015	266,508	256,568
Accumulated amortisation		
At 1 January 2015	158,596	100,765
Amortisation charge for the year	54,185	57,831
At 31 December 2015	212,781	158,596
Carrying amount at 31 December 2015	53,727	97,972

11 DEFERRED TAX ASSET

	Note	31 December 2015 ₦'000	31 December 2014 ₦'000
At 1 January 2015		71,981	116,868
Changes during the year: charge/(credit) to profit or loss	8	39,342	(44,887)
At 31 December		111,323	71,981

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.

11.1 The deferred income tax (assets)/liabilities are

	31 December 2015 ₦'000	31 December 2014 ₦'000
Property, plant and equipment	12,189	42,069
Defined benefit obligations	(11,563)	(27,610)
Loans and other receivables	(6,477)	(2,231)
Creditors and accruals	(114,763)	(84,209)
Intangible assets	9,291	-
At 31 December	(111,323)	71,981

12 LOANS AND RECEIVABLES

	Note	31 December 2015 ₦'000	31 December 2014 ₦'000
Loans	12.1	19,681	19,861
Other receivables	12.2	570,218	482,059
Total		589,899	501,920

12.1 Loans

	31 December 2015 ₦'000	31 December 2014 ₦'000
Amortised cost		
Staff loans	19,681	19,861
Impairment allowance on loans	-	-
Total	19,681	19,861

12.2 Other receivables

	31 December 2015 ₦'000	31 December 2014 ₦'000
Custody fee receivable	571,341	488,278
Allowance for doubtful accounts	(1,123)	(6,219)
Total	570,218	482,059
The movement in allowance for doubtful accounts is as follows:		
At 1 January	6,219	2,207
Additions	-	5,000
Allowance written off	(5,096)	(988)
At 31 December	1,123	6,219

13 OTHER ASSETS

	31 December 2015 ₦'000	31 December 2014 ₦'000
Prepayments	145,219	29,139
VAT receivables from clients	15,296	21,084
Account receivables – others	281	15,717
Total	160,796	65,940

13.1 Account receivables – others

	31 December 2015 ₦'000	31 December 2014 ₦'000
Other receivables	15,652	15,717
Provision for other account receivables	(15,371)	-
Total	281	15,717

14 INVESTMENT SECURITIES

	31 December 2015 ₦'000	31 December 2014 ₦'000
Treasury bills with maturity of less than 90 days	40,025	61,419
Treasury bills with maturity of more than 90 days	1,514,314	4,998,452
Total	1,554,339	5,059,871

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.

15 CASH AND CASH EQUIVALENTS

	31 December 2015 ₦'000	31 December 2014 ₦'000
Cash and bank balance	22,625	23,818
Short-term placements	5,935,461	185,214
Cash and short term funds (statements of financial position)	5,958,086	209,032
Treasury bills (maturing within three months)	40,025	61,419
Cash and cash equivalents (statements of cash flows)	5,998,111	270,451

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.

16 SHARE CAPITAL

Authorised	31 December 2015 ₦'000	31 December 2014 ₦'000
2,000,000,000 ordinary shares of ₦1 each	2,000,000	2,000,000
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.

17 RETIREMENT BENEFIT OBLIGATIONS

	Note	31 December 2015 ₦'000	31 December 2014 ₦'000
Provision for severance benefits	17.3	38,543	85,342
Gratuity benefits	17.1	-	5,240
Total		38,543	90,582

17.1 The movement in provision for gratuity over the year is as follows:

	Note	31 December 2015 ₦'000	31 December 2014 ₦'000
At 1 January		-	174,470
Current service charge		-	32,192
Interest cost		-	23,348
Benefits paid		-	(9,728)
Actuarial (gains)/losses		-	-
Curtailment gain		-	22,617
Transfer out	17.3	-	(48,226)
Pledged assets with FBN Capital	17.2	-	(189,433)
At 31 December		-	5,240

17.2 Pledged assets with FBN Capital

	31 December 2015 ₦'000	31 December 2014 ₦'000
Fixed deposit	-	15,046
Treasury bills	-	174,710
Cash	-	32
Management fees	-	(355)
Total	-	189,433

Pledged assets with FBN Capital represented by assets detailed above 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 2015 ₦'000	31 December 2014 ₦'000
Service costs	-	32,192
Interest cost	-	23,348
Total	-	55,540

17.3 The provision for severance benefit for directors over the year is as follows:

	31 December 2015 ₦'000	31 December 2014 ₦'000
Total	**38,543**	85,342

The severance benefit obligation is calculated based on the number of years in service at a specified amount. Effective 29 February 2016, the Board reached a resolution to discontinue the existing severance scheme for non-executive directors. Actuarial valuation for the scheme was done by the firm of Messrs HR Nigeria Limited (₦230 million) and was matched against the existing planned asset with FBN Quest – the fund manager (value of ₦230 million) as at the same date.

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

	Note	31 December 2015 ₦'000	31 December 2014 ₦'000
At 1 January 2015		165,036	168,795
Current service charge		43,399	37,224
Interest cost		24,584	15,427
Benefits paid		-	(112,323)
Actuarial (gains)/losses		(6,894)	7,688
Transfer in	17.1	-	48,226
Pledged assets with FBN Capital		(187,582)	(79,695)
At 31 December 2015		38,543	85,342

The principal actuarial assumptions were as follows:

	31 December 2015	31 December 2014
Discount rate (p.a.)	11%	13.5%
Inflation rate (p.a.)	9%	9%
Future salary increase (p.a.)	10%	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 2015 ₦'000	31 December 2014 ₦'000
Accounts payable	93,490	29,672
Accrued – others	65,087	48,206
Deferred – income	5,421	5,107
Audit fee payable	10,000	10,705
Other provisions	389,465	343,175
Dividend payable (interim)	936,933	-
Information technology levy	34,114	24,934
Total	1,534,510	461,799

19 ASSETS UNDER CUSTODY

19.1 Pension assets under custody

	31 December 2015 ₦'000	31 December 2014 ₦'000
Bank balances	30,814,642	12,395,368
Treasury bills	158,976,804	175,947,123
Money market instruments	307,353,480	257,677,756
Bonds	986,108,653	716,266,574
Equities	179,802,920	196,143,007
Receivables	10,152	313,861
Mutual funds	15,797,069	16,431,207
Investment properties	134,658,526	136,842,733
Private equity	818,618	2,865,272
Total	1,814,340,864	1,514,882,901

19.2 Non-pension assets under custody

	31 December 2015 ₦'000	31 December 2014 ₦'000
Non-pension assets under custody	299,954,655	300,321,681

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 custody of 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 and fixed income instruments, issued to it by the Central Bank of Nigeria. The agreement has been obtained with the consent of PenCom.

20 RELATED PARTIES

The Company is a member of the FirstBank 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 2015 ₦'000	31 December 2014 ₦'000
Fees and sitting allowance	15,750	17,733
Executive compensation	51,029	35,698
Retirement benefit costs	38,543	39,614
Other directors' expenses	52,371	95,895
Total	157,693	188,940

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

	Number	Number
₦5,000,000 and above	6	6

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 2015 ₦'000
First Bank of Nigeria Limited	Parent company	Treasury bills inv.	1,052,528
	Parent company	Short-term placements	5,679,443
	Parent company	Bank balance and unpaid interest	22,625
FBN Capital Limited	Co-subsidiary	Treasury bills inv.	541,837
	Co-subsidiary	Short-term placements	210,000

The Company earned a total interest of ₦61.11m and ₦1.09m 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 Limited	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 (2015 – nil).

21 CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENT

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. While changes in other assumptions would have an impact, the effect would not be as significant.

Tax
Determining income tax provisions involves judgement 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. Judgements 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 year end (31 December 2014: 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.

23 CAPITAL COMMITMENTS

The Company had no capital commitments as at 31 December 2015 (31 December 2014: nil).

24 EVENTS AFTER THE REPORTING DATE

Effective 29 February 2016, the Board reached a resolution to discontinue the existing severance scheme for non-executive directors. Actuarial valuation for the non-executive directors' liability was done by the firm of Messrs. HR Nigeria Limited (₦96 million) and was matched against the existing planned asset with FBN Quest – the fund manager (value of ₦96 million) as at the same date.

25 COMPLIANCE WITH REGULATORY BODIES

During the year, the Company paid penalties in the sum of ₦22,000,000 to National Pension Commission, resulting from operational errors.

26 EARNINGS PER SHARE

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

	31 December 2015 ₦'000	31 December 2014 ₦'000
Profit attributable to equity holders	**2,416,789**	1,711,742
Number of ordinary shares in issue as at year end	**2,000,000**	2,000,000
Earnings per share (kobo)	**121**	86

VALUE ADDED STATEMENT

	2015 ₦'000	%	2014 ₦'000	%
Gross earnings	4,947,521		4,032,755	
Bought in materials and services – local	(1,073,793)		(1,011,494)	
Provision for other receivables	(15,371)		(5,000)	
Value added	3,858,357	100	3,016,261	100

Distribution

	2015 ₦'000	%	2014 ₦'000	%
Employees				
Salaries and benefits	333,303	9	382,459	13
Government				
Taxation	1,031,322	26	736,752	24
Retained for future replacement of assets and expansion of business:				
Asset replacement (depreciation and amortisation)	116,285	3	140,421	5
Deferred taxation	(39,342)	(1)	44,887	1
Transfers to reserves	2,416,789	63	1,711,742	57
Total	3,858,357	100	3,016,261	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.

FIVE-YEAR FINANCIAL SUMMARY

Statement of financial position

	As reported under IFRS				As reported under NGAAP
	31 December 2015 ₦'000	31 December 2014 ₦'000	31 December 2013 ₦'000	31 December 2012 ₦'000	31 December 2011 ₦'000
ASSETS					
Non-current assets					
Property, plant and equipment	**1,130,266**	994,072	1,049,236	136,573	176,875
Intangible assets	**53,727**	97,972	155,803	19,755	24,467
Deferred tax assets	**111,323**	71,981	116,868	39,736	-
	1,295,316	1,164,025	1,321,907	196,064	201,342
Current assets					
Loans and other receivables	**589,899**	501,920	421,928	332,951	194,194
Other assets	**160,795**	65,940	73,594	144,825	118,377
Investment securities	**1,554,339**	5,059,871	4,391,426	-	-
Cash and cash equivalents	**5,958,086**	209,032	102,945	4,207,619	3,010,062
	8,263,120	5,836,763	4,989,893	4,685,395	3,322,633
Total assets	**9,558,436**	7,000,7888	6,311,800	4,881,459	3,523,975
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	**4,525,867**	3,399,011	2,690,125	1,526,498	703,811
Total equity	**6,525,867**	5,399,011	4,672,884	3,505,841	2,663,120
Non-current liabilities					
Deferred tax liabilities	**-**	-	-	-	4,003
Retirement benefit obligations	**38,543**	90,582	343,266	368,278	281,308
	38,543	90,582	343,266	368,278	285,311
Current liabilities					
Creditors and accruals	**1,534,510**	461,799	480,281	295,907	129,667
Income tax liabilities	**1,459,516**	1,049,396	815,369	711,433	445,877
	2,994,026	1,511,195	1,295,650	1,007,340	575,544
Total liabilities	**3,032,569**	1,601,777	1,638,916	1,375,618	860,855
Total equity and liabilities	**9,558,436**	7,000,788	6,311,800	4,881,459	3,523,975
Pension assets under custody	**1,814,340,864**	1,514,882,901	1,353,076,127	1,043,766,847	802,367,627
Non-pension assets under custody	**299,954,655**	300,321,681	93,731,367	43,075,297	26,812,870
Income statement					
Gross earnings	**4,947,521**	4,032,755	3,287,106	2,558,933	1,704,066
Profit before income tax	**3,408,770**	2,493,381	2,026,400	1,315,522	801,502
Income tax expense	**(991,981)**	(781,639)	(522,773)	(492,835)	(316,242)

	As reported under IFRS				As reported under NGAAP
	31 December 2015 ₦'000	**31 December 2014 ₦'000**	**31 December 2013 ₦'000**	**31 December 2012 ₦'000**	**31 December 2011 ₦'000**
Profit for the year	**2,416,789**	1,711,742	1,503,627	822,687	485,260
Per share data					
Earnings per share – basic (kobo)	**121**	86	75	41	24
Net (liabilities)/assets per share (naira)	**3**	3	2	2	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
MBAM	Merchant Banking and Asset Management
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

First Pension Custodian

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