# 2019 ANNUAL REPORTS & ACCOUNT STATEMENTS

AIHN

ASSOCIATION OF ISSUING HOUSES OF NIGERIA

**ASSOCIATION OF ISSUING HOUSES OF NIGERIA**

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ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# CORPORATE INFORMATION

## EXECUTIVE COMMITTEE MEMBERS

| | |
|---|---|
| Mr. Chuka Eseka | President |
| Mr. Ike Chioke | 1st Vice President |
| Mr. Kayode Akinkugbe | 2nd Vice President |
| Mr. Babatunde Obaniyi | Director of Publicity |
| Mr. Egie Akpata | Director of Administration |
| Mr. Samuel Chidoka | Director of Treasury |
| Mrs. Oyinda Akinyemi | Director of Finance |
| Mr. Happy Aboiri | Executive Secretary |

## REGISTERED OFFICE

16, Amodu Ojikutu Street
Off Bishop Oluwole
Victoria Island, Lagos.

## AUDITORS

SIAO
18B, Olu Holloway Road
Ikoyi, Lagos.

## BANKERS

First Bank of Nigeria Limited
Access Bank PLC

Mr. Happy Aboiri
Executive Secretary

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# FINANCIAL HIGHLIGHTS

## STATEMENT OF FINANCIAL POSITION

| | 2019<br>₦ | 2018<br>₦ | Change<br>₦ | % |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | 56,971,862 | 25,156,979 | 31,814,884 | 126% |
| Property, Plant & Equipment | 1,121,505 | 845,439 | 276,066 | 33% |
| Financial Assets | 232,847,588 | 223,505,938 | 9,341,650 | 4% |
| Other receivables | 9,499,213 | 10,578,245 | (1,079,033) | -10% |
| **TOTAL ASSETS** | **300,440,168** | 260,086,601 | 40,353,567 | 16% |
| FUND AND LIABILITY: | | | | |
| Accumulated Fund | 297,802,763 | 258,031,602 | 39,771,159 | 15% |
| CURRENT LIABILITY | | | | |
| Other Payables | 2,637,408 | 2,055,000 | 582,408 | 28% |
| | **300,440,168** | 260,086,601 | 40,353,567 | 16% |

STATEMENT OF INCOME AND EXPENDITURE

| | 2019<br>₦ | 2018<br>₦ | | |
|---|---|---|---|---|
| INCOME | | | | |
| Membership Subscriptions | 27,200,000 | 19,700,000 | 7,500,000 | 38% |
| Other Income | 52,291,945 | 34,393,072 | 17,898,873 | 52% |
| | **79,491,945** | 54,093,072 | 25,398,873 | 47% |
| Expenditure | 41,026,256 | 49,517,174 | (8,490,918) | -17% |
| **SURPLUS TRANSFERRED TO ACCUMULATED FUND** | **38,465,689** | 4,575,898 | 33,889,792 | 741% |

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ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# EXECUTIVE COMMITTEE'S REPORT

## EXECUTIVE COMMITTEE'S REPORT

The Executive committee has the pleasure of submitting to the members of the Association of Issuing Houses of Nigeria the audited financial statements for the year ended 31st December 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Association is to encourage the professional development of its members and provide an engagement platform for Nigerian investment banks.

## STATE OF AFFAIRS

In the opinion of the Executive committee, the state of the Association's affairs was satisfactory, and no events have occurred since the statement of financial position date, which would affect the financial statements as presented.

## RESULT FOR THE YEAR

| | 2019<br>₦ | 2018<br>₦ |
|---|---|---|
| Total Income | **79,491,945** | **54,093,072** |
| Expenditure | **(41,026,256)** | **(49,517,174)** |
| Surplus for the year | **38,465,689** | **4,575,898** |

## EMPLOYMENT OF PHYSICALLY CHALLENGED

The Association operates a non-discriminating policy in consideration of applications for employment, including those received from physically challenged persons. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Association continues and that appropriate training is arranged. It is the policy of the Association that the training, career development and promotion of physically challenged persons should, as far as possible, be identical with those of other employees. As at 31st December 2019, the Association had no physically challenged persons in its employment.

## EXECUTIVE COMMITTEE'S REPORT (Cont'd)

### EMPLOYEE INVOLVEMENT AND TRAINING

The Association places considerable value on the involvement of its employees in major policy matters and has continued its previous practices of keeping them informed on matters affecting them as employees and various factors affecting the performance of the Association. This is achieved through regular engagements with staff.

### DONATIONS AND GIFTS

The Association did not make donations during the year under review except for the Christmas gifts and NSE Essay Competition Award was made during the year under review.

### FORMAT OF FINANCIAL STATEMENTS

The financial statements are presented in accordance with the reporting and presentation requirements of the International Financial Reporting Standards (IFRS). The Executive committee considers that the format adopted is the most suitable for the Association.

### INDEPENDENT AUDITORS

Messrs. SIAO (Chartered Accountants) have shown willingness to continue as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, a resolution will be proposed at the Annual General Meeting to authorize the Executive committee members to determine their remuneration.

### SECRETARY

The Association's Executive secretary is Mr. Happy Aboiri

The financial statements set out have been prepared on the going concern basis, were approved by the Executive Committee Members on February 27, 2020 and were signed on its behalf by:

**BY ORDER OF THE EXECUTIVE COMMITTEE MEMBERS**

..............................................

**Executive Secretary,**
Mr. Happy Aboiri

Date: 04/03/2020

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## STATEMENT OF EXECUTIVE COMMITTEE MEMBERS RESPONSIBILITIES

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Executive Committee members to prepare financial statements for each financial period that give a true and fair view of the state of financial affairs of the Association at the end of the period and of its statement of income and expenditure. The responsibilities include ensuring that the Association:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Association and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Executive committee members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

The Executive committee members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Association. The Executive committee members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Executive committee members to indicate that the Association will not remain a going concern for at least twelve months from the date of these financial statements.

PRESIDENT

TREASURER

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("AGM") of the Association of Issuing Houses of Nigeria is slated to hold as follows:

Date: Tuesday, November 10, 2020

Venue: The Civic Centre, (Panorama Hall ) Victoria Island, Lagos and Zoom Platform (Virtual)

Time: 11.30 a.m.

Agenda

1. To receive the Audited Financial Statements of the Association for the year ended 31st December, 2019 together with the reports of the Directors and Auditors.
2. To re-appoint the Auditors
3. To authorize the Directors to fix the remuneration of the Auditors
4. To amend the Association's Constitution
5. To elect Officers
6. Any Other Business

In view of the protocol in respect of the Covid-19 pandemic, please note that whilst the AGM will be convened physically, members are free to participate virtually on the Zoom platform. The link will be forwarded to members who have confirmed their attendance. Log in time shall be any time between 11.15a.m. - 11.25a.m. The Annual General Awards Ceremony would hold immediately after the AGM.

Please see attached to this Notice, the explanatory notes on the proposal to amend the Association's constitution.

BY ORDER OF THE EXECUTIVE COMMITTEE

HAPPY ABOIRI
Executive Secretary

ABoiri Hye

AIHN
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

## PRESIDENT'S SPEECH

Distinguished members, invited guests, ladies and gentlemen. It is with great pleasure that I welcome you all to the Association of Issuing Houses of Nigeria's Annual General Meeting which offers us the opportunity to highlight the financial results and activities of the Association for year-end December 31, 2019.

### Global Economy Review

In 2019, global growth slowed to 2.9% compared to 3.6% in 2018 as trade tensions and geopolitical concerns dominated the atmosphere. The resultant impact of higher tariffs and trade policy uncertainty on global manufacturing and trade weighed on investment and demand for capital goods. In addition, the Brexit negotiations added to global uncertainties as business and consumer confidence were eroded resulting in delayed investment decisions. Global output was able to grow despite social unrest in several economies to weather-related disasters - hurricanes in the Caribbean, bush fires in Australia, floods in Eastern Europe and drought in Southern Africa.

Inflation remained largely muted as weak demand kept a lid on metal and energy prices. Thus, major advanced and emerging central banks including the US Federal Reserve and the European Central Bank (ECB) became accommodative in 2019 rolling out asset purchase programs and reducing interest rates to support growth. These polices improved job creation, wage growth and consumer confidence during the year.

In 2020, we initially saw a slight reprieve in global uncertainties as waning US-China tensions and clarity on Brexit raised hope of global economic recovery. However, the first wave of the pandemic and the resultant lockdown measures grinded economic activity to a halt, preparing the world for its worst contraction since the Great Depression. The world is set to contract by as much as 3% in 2020, according to the IMF. The pandemic has significantly hampered global growth prospects, disrupted global supply chains, and altered business operating models. Double digit contractions were recorded in the first half of the year in both advanced and emerging economies. Weak external demand is expected to weigh heavily on growth in emerging economies as China is the sole economy that is expected to grow in 2020.

### Nigeria

According to the Nigerian Bureau of Statistics (NBS), the economy grew by 2.27% y/y in 2019. The GDP growth in 2019 represents a 36bps increase, yet below population growth of 2.5%. In 2019, the non-oil sector recorded a 2.06% growth. However, its contribution to the total GDP moderated to 91.22%. On the other hand, growth in the oil sector improved to 4.59% y/y while the sector's contribution to the total GDP increased slightly to 8.78%.

We should define y/y as "year-on-year"

The closure of land borders coupled with target-lending by the Central Bank contributed to the 2.36% y/y growth in the agricultural sector, in 2019. However, the manufacturing sector underperformed as it recorded a 0.77% y/y growth below its five-year average of 2.17% due to a contraction in the textile sector. Growth in the Construction sector slowed to 1.81% y/y due to election concerns and adverse weather conditions. Improved oil production contributed to the output growth from the mining & quarrying sector, which grew by 4.43%. The Information and Communications sector grew by 9.17% contributing the most to GDP in absolute terms (₦753bn) during the year. Meanwhile, the contraction in the trade sector softened to -0.38% y/y while the real estate sector also contracted by 2.36% y/y over the year due to Apapa gridlock, implementation of border closure policy and weak consumer wallets. Noteworthy to mention, is the financial sector which recorded its strongest growth in four years, growing by 2.56% y/y in 2019 due to the introduction of pro-lending policies by the Central Bank of Nigeria.

Meanwhile, the contraction in the trade sector softened to -0.38% y/y while the real estate sector also contracted by 2.36% y/y over the year due to Apapa gridlock, implementation of border closure policy and weak consumer wallets.

In 2020 however, we have seen a -6.10% contraction in GDP for Q2 2020 due to the COVID-19 pandemic, which brings an end to three years of positive but low growth. We saw a slump in both the oil and non-oil sectors, which contracted by -6.63% and -6.05% respectively as oil production fell and the lockdown crippled economic activities in the country.

Despite the broad-based contraction, we saw resilience in a couple of key sectors including the agriculture, financial services and ICT sectors which grew by 1.6%, 18.5% and 15.1% respectively. The fiscal and monetary authorities have reeled out measures to tackle the pandemic including a ₦500bn crisis intervention fund, reduction of interest rate on CBN intervention facilities from 9% to 5%, extension of moratorium on all CBN intervention facilities by a year as well as provision of target funding to the healthcare sector. Budget assumptions had to be reviewed in line with current realities as the benchmark price was reduced, non-critical expenditures expunged as well as the deregulation of the downstream sector.

In the near term, we expect Nigeria's economy to contract in 2020 due to the COVID-19 pandemic. We expect the Federal Government to maintain its expansionary fiscal stance to support a recovery, as evidenced in its proposed ₦13trn spending for 2021 while the Central Bank continues to implement unconventional policies to improve economic growth in the long-term. Although, energy and FX reforms have raised inflation outcome and expectations in 2020, the CBN has retained its expansionary drive by cutting the MPR by a total of 200bps in 2020. Thus, we expect the bank to hold the rate in the short term. Hiking rates, in recognition of increase upside risks to inflation and mounting external sector pressure would further constrain economic growth; while a rate cut is likely to intensify risks to naira stability, resulting in increased capital outflows.

## Fixed Income

In 2019, the investors in the capital market sphere maintained a risk-averse position as the domestic economy grappled with slower-than-expected economic growth amid rising inflation. In the fixed income space, government bonds prices soared as a result of the risk-off stance maintained by investors towards the equities space, coupled with stable oil prices which partly supported trading sentiment on treasury instruments. The yields on the 7-Year and 10-Year Treasury notes plunged 4.04ppts and 4.08ppts respectively, settling at 11.09% and 11.53% on the last trading day of 2019.

Coming into 2020, the CBN's continual expansionary monetary policy saw yields decline further across all fixed income instruments. Notably, the yields on the 7-Year and 10-Year Treasury notes have sunk to 5.73% and 6.36% respectively.

## Equities

The local bourse closed in the red for 2019, shedding 15.75% for the year with the Consumer Goods sector ending as the worst performer for the year. Coming into 2020, fund managers decided to maintain conservative approach to the space, as nations around the world put in place containment protocols to combat the spread of the coronavirus. Following an easing of lockdown measures around the world, the local bourse has surged, enough to see it claw back the loses for 2020, to trade in the green. The market is up 9.6% year to Q3, 2020 with the Industrial Goods sector supporting gains witnessed this year. Additionally, a recent surge in activity was triggered by monetary measures from the Central Bank of Nigeria (CBN). The apex bank cut interest rates by 100bps in September, in a bid to further cushion the economy against the impact of the pandemic. We expect that falling yields in the fixed income space should see fund managers seek alternative investments with better returns. The equity market presents an attractive alternative, given current cheap valuations on fundamentally sound stocks as well as relatively high dividend yields.

## Activities of the Association

The Association on a regular basis engaged the Securities and Exchange Commission (SEC or the Commission) with a view to influencing its policy direction and contributing to the efficiency and growth of the Nigerian Capital Market. We participated in a number of capacity building initiatives of the Commission including but not limited to: Training Programme on Securitization by Professor Graham Penn; International Conference on Leveraging the Capital Market for Growth and Economic Development; Roundtable on Commodities Trading Ecosystem; Leveraging the Capital Market for Economic Growth and Development; the West African Capital Market Conference 2019; Packaging of Fixed Income Transactions in the Checklist Review Regime amongst others with the Association making leading / useful contributions as expected.

For the first time, we met and presented to the then newly constituted Board of the Securities & Exchange Commission vital issues affecting CMOs in particularly and the Nigerian Capital Market at large. We also had very useful and fruitful working partnerships with The Nigerian Stock Exchange (NSE), Chartered Institute of Stockbrokers (CIS), FMDQ OTC Securities Exchange, and BusinessDay Media Ltd.

In March 2019, the Association held its first Bi-Annual Business Lunch themed: **'Capital Market Agenda for the Next Four Years'** aimed at renewing the thinking of the Nigerian Government (both at National and Sub-National levels) on the key roles the Nigerian capital markets play in fostering macro-economic stability. The business lunch further established the relevance of the Nigerian capital market to stakeholders and the government as attendees included top government functionaries and captains of industries. Panellists included the Honourable Minister of Finance, Mrs. Zainab Ahmed (represented); DG, Debt Management Office, Ms. Patience Oniha; Executive Secretary/CEO, Nigerian Investment Promotion Commission (NIPC), Ms. Yewande Sadiku; DG, Bureau for Public Enterprises, Mr. Alex Okoh (represented); Partner/Chief Economist, PwC Nigeria, Dr. Andrew Nevin and Managing Director/CEO, FMDQ OTC Securities Exchange, Mr. Bola Onadele Koko all of whom were awards recipients at the event. The event was also graced by the Ag. DG, Securities & Exchange Commission (SEC); Ms. Mary Uduk; CEO, The Nigerian Stock Exchange, Mr. Oscar Onyema; and the Ag. DG, National Pension Commission, Mrs. Aisha Dahir-Umar (represented).

The Association held its **2nd Annual Dinner and Awards Night** on the 1st of August 2019 which provided a unique opportunity to present awards and celebrate our member-firms. The event which was well attended brought together a cross-section of distinguished individuals and leaders of industries. The Special Guest and Host Governor, His Excellency, the Executive Governor of Lagos State, Mr. Babajide Sanwo-Olu (represented) and we also had in attendance the Executive Governor of Niger State, His Excellency Abubakar Sani Bello; Ag. DG, Securities & Exchange Commission, Ms. Mary Uduk; DG, Bureau for Public Enterprises, Mr. Alex Okoh just to mention a few.

The high point of the event was the presentation of awards. Eminent Persons Award was presented to Mr. Olawale Edun, Chairman, Chapel Hill Denham Group, and the Capital Markets Titan Award was presented to Alhaji Aliko Dangote (GCON), Founder/President Dangote Group.

Stanbic IBTC Capital Limited received the Best Investment Bank, Best Commercial Paper House and Best M&A House awards while the M&A Deal of 2018 award was jointly won by Union Capital Markets Limited and Stanbic IBTC Capital Limited. Chapel Hill Denham Advisory Limited clinched the Best Equity House award while the Equity Deal of 2018 award was jointly won by Standard Chartered Capital & Advisory Limited and Chapel Hill Denham Advisory Limited. FBNQuest Merchant Bank Limited got Best Bond House award while the Bond Deal of 2018 award was jointly won by FBNQuest Merchant Bank Limited and Lotus Financial Services Ltd.

### Covid-19 Support

My sincere appreciation and thanks goes to our members for the very strong show of support towards the Capital Market Committee on COVID-19 set up by the Securities and Exchange Commission, to coordinate the efforts of the Capital Market community towards lending support to Nigerians during the fight against the pandemic. A total of N37.63 million was remitted by the Association to the Committee comprising of contributions totalling N34.63 million by 34 member houses and N3 million contributed by the Association. The funds have been used for the purchase and distribution of medical equipment and palliatives to those in need. Knowing the challenges we all face in our respective businesses, this sacrifice by our members and care for the wider society during a period of need is indeed exemplary!

### New SEC Executive Management

On behalf of the Association, I welcome the newly appointed executive management team of the SEC and reaffirm AIHN's commitment and partnership in taking the Nigerian Capital Market to new heights under the new leadership. The Association had a very constructive introductory session with the new management and issues impacting on the operations/development of the capital market in general and our business as Issuing Houses in particular were discussed.

### Operating Performance

In the year under review, the association grew its total income by 47% to ₦79.49million from ₦54.09 million in the preceding year. The sum of ₦27.2million was realized from members' subscription in 2019 compared to ₦19.7million in the previous year. Total expenditures fell to ₦41millionfrom ₦49.5 million the preceding year mainly due to significant reduction on Annual Dinner related expenses. ₦38.46million was transferred to the accumulated fund, thereby increasing our balance sheet to N300million.

### Proposed Changes to the Constitution

We are proposing some amendments to the Constitution of the Association to bring it up to date and in line with our current and best practices. These amendments would be tabled, discussed and if found satisfactory by members approved at this meeting.

### Elections

In line with our more recent practice, I would be stepping down as President of this esteemed Association after a two year service and the current Vice President, Mr Ike Chioke would be assuming the position of President at the conclusion of this Meeting. In addition, three members of the Executive Committee of the Association who have served for four years would be retiring at this meeting and their replacements formally elected having received nominations. I am profoundly grateful for the overwhelming support received from you all. It is my utmost desire that you would extend the same level of support to there constituted Executive Committee.

## Conclusion

I sincerely appreciate the members of the Executive Committee for the teamwork and drive towards improving the overall relevance and positioning of the Association. I acknowledge the support of all our member-firms, the leadership of the Securities and Exchange Commission, the Nigerian Stock Exchange, Debt Management Office, National Pension Commission, Bureau for Public Enterprises, Nigerian Investment Promotion Commission, all the registered Trade Groups, SIAO and other stakeholders.

Thank you for listening

..........................................

**Chuka Eseka**
President

SIAO
SIAO - Accomplish More

(Chartered Accountants)
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# INDEPENDENT AUDITORS' OPINION TO THE MEMBERS OF ASSOCIATION OF ISSUING HOUSES NIGERIA

To the Members of ASSOCIATION OF ISSUING HOUSES OF NIGERIA

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of ASSOCIATION OF ISSUING HOUSES OF NIGERIA, which comprise the statement of financial position as at 31st December, 2019, and the statement of income and expenditure, statement of changes in members' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Association's financial statements present fairly, in all material respects, the financial position of the Association as at 31st December, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Executive committee is responsible for the other information. The other information comprises the Executive Committee members' Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Executive committee and Those Charged with Governance for the Financial Statements

The Executive committee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Executive committees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Executive committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive committee.

* Conclude on the appropriateness of Executive committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

* Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

## Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Council of Nigeria Act 2011 and the Companies and Allied Matters Act, Cap C20, laws of the Federation of Nigeria 2004, we confirm:

I. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of the audit.
II. The Association has kept proper books of account, so far as it appears from our examination of those books.
III. The Association's statement of financial position and the statement of income and expenditure are in agreement with the books of account and returns.

Ansa Joshua, FCA
FRC/2013/ICAN/00000001728

SIAO
(Chartered Accountants) Lagos, Nigeria

Date: 18th March, 2020

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0829615

# STATEMENT OF FINANCIAL POSITION

| | Note | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSET** | | | |
| Property, Plant & Equipment | 7 | 1,121,505 | 845,439 |
| **TOTAL NON CURRENT ASSET** | | 1,121,505 | 845,439 |
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 6 | 56,971,862 | 25,156,979 |
| **Financial Assets:** | | | |
| At amortized cost | 8 | 232,847,588 | 223,505,938 |
| Other receivables | 9 | 9,499,213 | 10,578,245 |
| **TOTAL CURRENT ASSETS** | | 299,318,663 | 259,241,162 |
| **TOTAL ASSETS** | | 300,440,168 | 260,086,601 |
| **EQUITY AND LIABILITY:** | | | |
| **EQUITY** | | | |
| Accumulated Fund | 11 | 297,802,763 | 258,031,602 |
| **TOTAL EQUITY** | | 297,802,763 | 258,031,602 |
| **CURRENT LIABILITY** | | | |
| Trade and Other Payables | 10 | 2,637,408 | 2,055,000 |
| **TOTAL CURRENT LIABILITY** | | 2,637,408 | 2,055,000 |
| **TOTAL EQUITY AND LIABILITY** | | 300,440,168 | 260,086,601 |

These financial statements were approved by the Executive Committee on February 27, 2020 and signed on its behalf by:

February 27, 2020

President

Treasurer

AIHN
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# STATEMENT OF INCOME AND EXPENDITURE

| | Note | 31st Dec 2019 ₦ | 31st Dec 2018 ₦ |
|---|---|---|---|
| **INCOME** | | | |
| Membership Subscriptions | 12 | 27,200,000 | 19,700,000 |
| Other Income | 13 | 52,291,945 | 34,393,072 |
| | | 79,491,945 | 54,093,072 |
| Expenditure | 14 | 41,026,256 | 49,517,174 |
| **SURPLUS FOR THE YEAR** | | 38,465,689 | 4,575,898 |

The accounting policies on pages 14 to 28 and the notes on pages 29 to 40 form integral parts of these financial statements.



AIHN
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# STATEMENT OF CASHFLOW

| | NOTES | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| **Cash Flow from Operating Activities** | | | |
| Subscription income | 12 | 27,200,000 | 19,700,000 |
| Interest Income: ( Bond, Tbills, Fixed Deposit and other interest income | 13 | 29,716,945 | 30,228,093 |
| Other Income | 13 | 22,575,000 | 4,164,979 |
| Expenditures Financing | 14 | (41,026,256) | (49,517,174) |
| Operating Surplus before Changes in Operating Assets/Liabilities | | 38,465,689 | 4,575,898 |
| Understatement of prior year interest income | 11 | 930,473 | |
| Overstatement of prior year rent expense | 11 | 375,000 | |
| Add Depreciation | 7 | 253,384 | 253,473 |
| **Changes in Operating Assets/Liabilities** | | | |
| Decrease/(Increase) in Receivables | 9 | 1,079,033 | (529,955) |
| Increase/(Decrease) in Payables | 10 | 582,408 | (4,366,356) |
| **Net Cash Flow from Operating Activities** | | 41,685,987 | (66,941) |
| **Cash Flow from Investing Activities** | | | |
| Purchase of Property, Plant & Equipment | 7 | (529,450) | (293,000) |
| **Net Cash Flow from Investing Activities** | | (529,450) | (293,000) |
| **Cash Flow from Financing Activities** | | - | - |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | | 41,156,537 | (359,941) |
| **Cash and Cash Equivalents at the Beginning of the Year** | | 100,174,460 | 100,534,400 |
| **Cash and Cash Equivalents at the End of the Year** | | 141,330,996 | 100,174,460 |
| **Comprises of:** | | | |
| Cash and Cash Equivalents | | 141,330,996 | 100,174,460 |
| **Comprises of:** | | | |
| Cash and Cash Equivalents | 6 | 56,971,862 | 25,156,979 |
| At amortized cost | 8.1 | 84,359,132 | 75,017,482 |
| | | 141,330,996 | 100,174,460 |

The accounting policies on pages 14 to 28 and the notes on pages 29 to 40 form integral parts of these financial statements.

AIHN
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

## STATEMENT OF CHANGES IN MEMBERS' FUND

| | Accumulated Fund<br>₦ | Total<br>₦ |
|---|---|---|
| **Balance as at 1st January 2019** | **258,031,602** | 258,031,602 |
| Understatement of prior year income | **930,473** | 930,473 |
| Overstatement of prior year rent expense | **375,000** | 375,000 |
| Surplus for the Year | **38,465,689** | 38,465,689 |
| **Total Comprehensive Income for the Year** | **39,771,162** | 39,771,162 |
| **Balance as at 31st December 2019** | **297,802,763** | **297,802,763** |
| | | |
| **Balance as at 1st January 2018** | **253,455,704** | 253,455,704 |
| Surplus for the Year | **4,575,898** | 4,575,898 |
| **Balance as at 31st December 2018** | **258,031,602** | 258,031,602 |

The accounting policies on pages 14 to 28 and the notes on pages 29 to 40 form integral parts of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

The Association of Issuing Houses of Nigeria is registered as an incorporated trustee under Part C of the companies and Allied Matters Act, CAP C20 LFN 2004. The Association consists of financial companies in Nigeria licensed to operate as Issuing houses by the Securities and Exchange Commission. The principal activities of the association are to set professional and ethical standards, to enable professional development of its member issuing houses and promote free interplay of market forces.

### 2 Principal Activities

The principal activity of the Association is to encourage the professional development of its members and provide an engagement platform for Nigerian investment banks.

### 3 Summary of significant accounting policies

### 3.1 Introduction to summary of accounting policies

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

### 3.2 Basis of preparation

The financial statements of Association of Issuing Houses of Nigeria have been prepared in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

#### Use of Judgement and Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Executive committee to exercise its judgement in the process of applying the Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the Notes. Although these estimates are based on Executive committee's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The financial statements are presented in Naira, which is the Association's presentational currency. The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 16.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3.3 Functional currency and translation of foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (NGN), which is the Association's functional and presentation currency.

#### (ii) Transactions and balances in the Association

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

### 3.4 Revenue recognition

The Association recognizes revenue when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the entity and when specific criteria have been met for each of the Association's activities as described below:

**Revenue**
Incomes from members are accounted for currently on cash basis and not in the period to which they relate as the Association does not carry Subscription Receivables in the accounts.

**Interest income**
This is accounted for on accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3.5 Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | % |
|---|---|
| Office Equipment | 20 |
| Motor Vehicle | 20 |
| Furniture & Fittings | 20 |
| Plant and Machinery | 20 |

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit or loss.

#### De-recognition:

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is recognized in the statement of comprehensive income under "other gains and losses.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3.6 Impairment of non-financial assets

All assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less cost of disposal and value in use, the latter being determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are classified into cash generating units based on separately identifiable and largely independent cash inflows.

## 3.7 Financial assets

### 3.7.1 Recognition and measurement

#### IFRS 9 - Financial instruments

IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement.

#### Classification and Measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortized cost.
Financial assets will be measured at amortized cost if they are held within a business model with the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

The Association has undertaken an assessment to determine the potential impact of changes in classification and measurement of financial assets. Our assessment revealed that the adoption of IFRS 9 is unlikely to result in significant changes to existing asset measurement bases. IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

## Impairment Methodology

The IFRS 9 impairment model will be applicable to all financial assets at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees not measured at fair value through profit or loss. IFRS 9 replaces the existing 'incurred loss' impairment approach with an Expected Credit Loss ('ECL') model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions. The ECL model has three stages. Entities are required to recognize a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The requirement to recognize lifetime ECL for assets which have experienced a significant increase in credit risk since origination, but which are not credit impaired, does not exist under IAS 39. The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, not the change in the amount of expected credit losses. Reasonable and supportable forward looking information will also be used in determining the stage allocation. In general, assets more than 30 days past due, but not credit impaired will be classed as stage 2.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The Association has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

### Hedge Accounting

The hedge accounting requirements in IFR S 9 are optional. If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge. The application of the hedge accounting requirements in IFRS 9 is optional and can only be applied when certain eligibility and qualification criteria are met. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

A hedging relationship qualifies for hedge accounting only if all the following criteria are met:

1. The hedging relationship consists only of eligible hedging instruments and eligible hedged items;

2. At inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and

3. The hedging relationship meets all of the hedge effectiveness requirements

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Hedge accounting allows an entity to reflect its risk management activities in the financial statements by matching gains or losses on hedging instruments (e.g. derivatives) with losses or gains on the risk exposures they hedge (e.g. foreign currency sales).

### 3.7.2 Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Association assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Association takes into consideration the following factors.

1. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.

2. How the performance of assets in a portfolio is evaluated and reported to Association heads and other key decision makers within the Association's business lines;

3. The risks that affect the performance of assets held within a business model and how those risks are managed;

4. How compensation is determined for the Association's business lines' management that manages the assets;

5. The frequency and volume of sales in prior periods and expectations about future sales activity.

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

(a) **Business Model 1(BM1):** Financial assets held with the sole objective to collect contractual cash flows;

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(b) **Business Model 2 (BM2):** Financial assets held with the objective of both collecting contractual cash flows and selling; and

(c) **Business Model 3 (BM3):** Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Association may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

(I) Where these sales are infrequent even if significant in value; A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.

The Association may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

(a) Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.

(b) When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets have a tenor to maturity of not more than one (1) year and/or the remaining contractual cash flows expected from the financial asset do not exceed the cash flows from the sales by ten (10) per cent.

**Other reasons:** The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:

ii. Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).

iii. Selling the financial asset to manage credit concentration risk (infrequent)

iv. Selling the financial assets as a result of changes in tax laws (infrequent).

v. Other situations also depend upon the facts and circumstances which need to be judged by the management.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The business model adopted by the association is BM1

**Cash flow characteristics assessment**

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic investment arrangement. Contractual cash flows are consistent with a basic deposit arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

### a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Statement of Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Financial assets measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

### b) Financial assets measured at FVOCI

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

c) **Financial assets measured at FVTPL**

Financial assets measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Income.

d) **Equity Instruments**

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the Statement of Income. The Association can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Income. Dividends received are recorded in Interest income in the Statement of Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Income on sale of the security.

**Financial liabilities are classified into one of the following measurement categories:**

(a) Amortized cost
(b) Fair Value through Profit or Loss (FVTPL)

e) **Financial Liabilities at fair value through profit or loss**

Financial liabilities accounted for at fair value through profit or loss fall into two categories: Financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Gains and losses arising from changes in fair value of financial assets are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

Financial Liabilities are designated at FVTPL when either the designation eliminates or significantly reduce an accounting mismatch which would otherwise arise or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value are recognized in Non-interest income in the Statement of Income, except for changes in fair value arising from changes in the Association's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in the Association's own credit risk, which are recognized in OCI, are not subsequently reclassified to the Statement of Income upon de-recognition/extinguishment of the liabilities.

### f) Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Association changes its business model for managing financial assets. A change in the Association's business model will occur only when the Association either begins or ceases to perform an activity that is significant to its operations such as:

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management Association that might necessitate transfer and sale of loans to willing buyers, this action will constitute changes in business model and subsequent reclassification of the Loan held from BM1 to BM2 Category

- Disposal of a business line i.e. Disposal of a business segment
  Any other reason that might warrant a change in the Association's business model as determined by management based on facts and circumstances.

**The following are not considered to be changes in the business model:**

(a) A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)

(b) A temporary disappearance of a particular market for financial assets.

When reclassification occurs, the Association reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model.

### Impairment of Financial Assets

In line with IFRS 9, the Association assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

* Amortized cost financial assets; and
* Debt securities classified as at FVOCI;

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

### Write-off

The Association writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

* continued contact with the customer is impossible;
* Recovery cost is expected to be higher than the outstanding debt;
* Amount obtained from realization of credit collateral security leaves a balance of the debt; or
* It is reasonably determined that no further recovery on the facility is possible.

- **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

### 3.7.3 Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost .They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Association's business model is to collect the contractual cash flows on trade and other receivables. Trade receivables consist primarily of amounts due to the Association from normal business activities. Trade receivables are measured at fair value at the date of trade plus directly attributable transaction costs on initial recognition, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. Other receivables may be financial assets or non-financial assets. Financial assets are categorized as loans and receivables and are initially measured at fair value and subsequently measured at amortized cost. Non-financial assets are measured in respective to their respective applicable standards. During the year under review, there were no trade receivables.

### 3.7.4 Trade and other Payables

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost. Trade payables classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Other payables that are within the scope of IAS 39 are subsequently measured at amortized cost. Others are measured in

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

respect to their applicable standards. During the year under review, there were no trade payables.

### 3.8 Current and deferred income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. Education tax is provided at 2% of assessable profits of companies operating within Nigeria.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either neither accounting nor taxable profit or loss, it is not accounted for. Current and deferred income tax is determined using tax rates and laws enacted or substantively
enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The Association is a non-profit making organization which qualifies it for income tax exemption under section 23 (1) (I ) of CITA CAP C21 LFN 2004.

### 3.9 Statement of Cash flows

The Statement of Cash Flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair Value changes and other non-cash items have been eliminated for the purpose of preparing the statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 4.0 AMENDMENTS TO EXISTING STANDARDS

**IFRS 16 Leases** IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Association is the lessor. The Association adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 January 2019. The Association elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019.The standard does not have any impact on the financial statements.

**Amendments to IFRS 9:** Prepayment Features with Negative Compensation Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Association.

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement -** The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Association as it did not have any plan amendments, curtailments, or settlements during the period.

**Amendments to IAS 28:** Long-term interests in associates and joint ventures The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements as the Association does not have longterm interests in its associate and joint venture.

**Annual Improvements 2015-2017 Cycle . IFRS 3 Business Combinations** The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Association as there is no transaction where joint control is obtained.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- **IFRS 11 Joint Arrangements** An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Association as there is no transaction where a joint control is obtained.

- **IAS 12 Income Taxes** The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These had no impact on the financial statements of the Association.

- **IAS 23 Borrowing Costs** The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

  These had no impact on the financial statements of the Association.

# NOTES TO THE FINANCIAL STATEMENTS

| | | 2019 | 2018 |
|---|---|---|---|
| 6 | **Cash and Cash Equivalents** | ₦ | ₦ |
| | First Bank of Nigeria (Naira Account) | 4,152,904 | 13,005,777 |
| | First Bank of Nigeria - Call Account | 6,374 | 12,151,202 |
| | Access Bank | 1,512,359 | - |
| | Fixed deposit / VFD Bridge (8.3) | 51,300,225 | - |
| | | 56,971,862 | 25,156,979 |

**7 Property Plant & Equipment**

| | FURNITURE & FITTINGS | OFFICE EQUIPMENT | MOTOR VEHICLES | PLANT & MACHINERY | TOTAL |
|---|---|---|---|---|---|
| | ₦ | ₦ | ₦ | ₦ | ₦ |
| COST | | | | | |
| At 1 January 2019 | 7,757,320 | 2,357,263 | 3,426,000 | 156,020 | 13,696,603 |
| Additions | - | 529,450 | - | - | 529,450 |
| At 31 December 2019 | 7,757,320 | 2,886,713 | 3,426,000 | 156,020 | 14,226,053 |
| DEPRECIATION | | | | | |
| At 1 January 2019 | 7,571,800 | 1,956,354 | 3,167,000 | 156,010 | 12,851,164 |
| Charge for the Year | 57,080 | 122,304 | 74,000 | - | 253,384 |
| At 31 December 2019 | 7,628,880 | 2,078,658 | 3,241,000 | 156,010 | 13,104,548 |
| Net Book Value | | | | | |
| At 31 December 2019 | 128,440 | 808,055 | 185,000 | 10 | 1,121,505 |
| At 31 Dec. 2018 | 185,520 | 400,909 | 259,000 | 10 | 845,439 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | | 2,019 | 2018 |
|---|---|---|---|
| | | ₦ | ₦ |
| **8** | **Financial Assets At Amortized cost** | | |
| | Treasury Bills (8.1) | 84,359,132 | 75,017,482 |
| | FGN Bonds (8.2) | 148,488,456 | 148,488,456 |
| | | 232,847,588 | 223,505,938 |
| **8.1** | Treasury Bills | | |
| | Tbills - Dunn loren | - | 40,826,757 |
| | UBA PLC (Global Investor Services) | 84,359,132 | - |
| | CitiHoms - Treasury bills | - | 10,000,000 |
| | Union Nominees- Treasury Bills | - | 16,000,000 |
| | FGN Treasury Bills (FBN) | - | 8,190,725 |
| | | 84,359,132 | 75,017,482 |
| **8.2** | FGN Bond | 148,488,456 | 148,488,456 |
| **8.3** | **Fixed Deposit** | | |
| | Fixed deposit / VFD Bridge | 51,300,225 | - |
| **9** | **Other Receivables** | | |
| | Other receivables(9.1) | 9,499,213 | 10,578,245 |
| | | 9,499,213 | 10,578,245 |
| **9.1** | **Other receivables** | | |
| | Staff loan | - | 462,500 |
| | Accrued Income (9.2) | 7,876,712 | 8,315,742 |
| | Prepayments ( Staff Housing) (9.3) | 1,150,000 | 1,800,000 |
| | Prepayment Secretariat Rent (9.4) | 472,500 | - |
| | | 9,499,213 | 10,578,245 |
| **9.2** | **Accrued Income** | | |
| | Accrued Income (BOND) | 7,876,712 | 8,315,742 |
| | Accrued Interest Income- Other(Tbills) | - | - |
| | | 7,876,712 | 8,315,742 |
| **9.3** | **Prepayment (Staff Housing)** | | |
| | Opening Balance | 1,800,000 | 1,800,000 |
| | Additions | 2,760,000 | 2,760,000 |
| | Amortization | (3,410,000) | (2,760,000) |
| | | 1,150,000 | 1,800,000 |
| 9.4 | **Prepayment Secretariat Rent/ service charge** | | |
| | Opening Balance | 375,000 | - |
| | Additions | 1,890,000 | - |
| | Amortization | (1,792,500) | - |
| | | 472,500 | - |

*Prepayment relates to the rent allowance given to members of staff and rent for office space during the financial year.

AIHN
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| 10 | **Trade and Other Payables** | | |
| | **Other Paybles:** | | |
| | Deferred income - Members Subscription (**Note 10.1** ) | **500,000** | - |
| | Provision for Accounting fee | **537,500** | 525,000 |
| | Provision for Audit fee | **1,290,000** | 1,260,000 |
| | With Holding Tax payable | **270,000** | 90,000 |
| | Other Paybles | **39,908** | 180,000 |
| | | **2,637,408** | 2,055,000 |
| **10.1** | FBN Quest Capital Limited Subscription Income | **500,000** | - |
| | | **500,000** | - |
| 11 | **Accumulated Fund** | | |
| | As at 1 January | **258,031,602** | 253,455,704 |
| | Understatement ofprior year income | **930,473** | - |
| | Overstatement of prior year rent expense | **375,000** | - |
| | Surplus for the year | **38,465,689** | 4,575,898 |
| | As at 31 December | **297,802,760** | 258,031,602 |



AIHN ASSOCIATION OF ISSUING HOUSES OF NIGERIA

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | | 2019 | 2018 |
|---|---|---|---|
| | | N | N |
| 12 | **Members' Subscriptions** | | |
| | Subscription Income from members (12.1) | 27,200,000 | 19,700,000 |
| 12.1 | **AIHN Members subscription** | | |
| | Absa Capital Markets Nigeria Ltd(formerly Barclays) | 500,000 | 500,000 |
| | Afrinvest (West Africa) Ltd | 500,000 | 500,000 |
| | Alpha Morgan Capital Advisory Partners Ltd | 500,000 | 600,000 |
| | Application Fee Income | 500,000 | - |
| | ARM Securities Limited | - | 500,000 |
| | Blackbit Limited | - | 500,000 |
| | Constant Capital Mkts & Securities Ltd | 1,500,000 | - |
| | Boston Advisory Limited | 500,000 | 1,000,000 |
| | Capital Bancorp Plc | 500,000 | 500,000 |
| | Cardinalstone Partners limited | 500,000 | 1,000,000 |
| | Credent Capital & Advisory Limited | 600,000 | - |
| | Chapel Hill Denham Advisory Ltd | 500,000 | 500,000 |
| | Comercio Partners Capital Limited | 600,000 | - |
| | Coronation Merchant Bank Ltd | 500,000 | 500,000 |
| | Cordros Capital Limited | 500,000 | 500,000 |
| | Diamond Capital & Financial Mkts Ltd | 500,000 | 500,000 |
| | Dunn Loren Merrifield Advisory Partners Ltd | - | 1,000,000 |
| | EAC Advisory Limited | 600,000 | - |
| | Ecobank Development Company Ltd | 500,000 | 500,000 |
| | Elixir Capital Partners Ltd | 500,000 | - |
| | FBNQuest Capital Limited | 500,000 | 500,000 |
| | FBNQuest Merchant Bank Ltd | 500,000 | 500,000 |
| | FCMB Capital Market Limited | 500,000 | 500,000 |
| | FSL Securities Ltd | 500,000 | 500,000 |
| | First Ally Capital Limited | 500,000 | 500,000 |
| | Futureview Financial Services Ltd | 500,000 | - |
| | Greenwich Trust Limited | 500,000 | 500,000 |
| | Interstate Securities Limited | 500,000 | 500,000 |
| | Investment One Financial Services Ltd | 500,000 | 500,000 |
| | Kairos Capital Limited | 500,000 | - |
| | Lead Capital Plc | 1,500,000 | - |
| | Lotus Financial Services Limited | 500,000 | 500,000 |
| | MBC Capital Ltd | 500,000 | 500,000 |
| | Meristem Capital Ltd | 500,000 | 600,000 |
| | Mainstreet Bank Capital Limited | 600,000 | - |
| | NSL Capital Partners Limited | 500,000 | 500,000 |
| | Quantum Zenith Capital & Investment Limited | 500,000 | 500,000 |
| | Quest Advisory Partners Limited | 600,000 | - |
| | Rand Merchant Bank Nigeria Ltd | 500,000 | 500,000 |
| | Renaissance Securities Nigeria Ltd | 1,000,000 | - |
| | SFS Financial Services Ltd | 500,000 | 500,000 |
| | Stanbic IBTC Capital Ltd | 500,000 | 500,000 |
| | Standard Chartered Capital and Advisory Nigeria Ltd | 500,000 | 500,000 |
| | SAMTL Capital | 600,000 | - |
| | SCM Capital Ltd | 500,000 | 500,000 |
| | The Infrastructure Bank | 500,000 | 500,000 |
| | Union Capital Markets Ltd | 500,000 | 500,000 |
| | United Capital PLC | 500,000 | 500,000 |
| | Vetiva Capital Management Ltd | 500,000 | 500,000 |
| | Norrenberger Investment & Capital Mgt. Ltd | 600,000 | - |
| | Radix Capital Partners Ltd | 500,000 | - |
| | | 27,200,000 | 19,700,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| 13 | **Other Income** | | |
| | Investment income - Bond | 18,310,970 | 18,817,453 |
| | Interest on Fixed deposit | 3,412,734 | 31,207 |
| | Advert Income | 500,000 | 650,000 |
| | Other Interest Income | 7,993,241 | 11,379,432 |
| | Other Income | - | 3,439,979 |
| | Rental income | 75,000 | 75,000 |
| | Sponsorship Income (13.1) | 22,000,000 | - |
| | Application for Registration | - | - |
| | | 52,291,945 | 34,393,072 |

| | | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| 13.1 | **SPONSORSHIP INCOME** | | |
| | PAC Capital Sponsorship/ Lunch Meeting | 1,500,000 | - |
| | Chapel Hill Sponsorship/ Lunch Meeting | 500,000 | - |
| | Vetiva Capital Sponsorship/ Lunch Meeting | 500,000 | - |
| | Lunch Meeting Sponsorship/FBNQuest MB | 500,000 | - |
| | Dinner Sponsorship/Afrinvest West Africa Limited | 1,000,000 | - |
| | Dinner Table ofeight/Union Capital Markets | 500,000 | - |
| | Dinner Table ofeight/Rand Merchant Bank Nigeria Ltd | 500,000 | - |
| | Dinner Sponsorship/ChapelHill Advisory Partners | 1,000,000 | - |
| | Dinner Sponsorship/UBA Plc | 5,000,000 | - |
| | Dinner Sponsorship/United Capital Plc | 1,000,000 | - |
| | Dinner Sponsorship/Vetiva Capital Management Ltd | 1,000,000 | - |
| | Table of eight/Kairos Capital | 500,000 | - |
| | Table of eight/Greenwich Trust | 500,000 | - |
| | Dinner Sponsorship/Dangote Industries | 2,500,000 | - |
| | Dinner Table of Eight/DLM | 500,000 | - |
| | FBNQuest Merchant Bank Ltd | 2,000,000 | - |
| | StanbicIBTC Capital Ltd | 1,500,000 | - |
| | Access Bank Plc | 1,500,000 | - |
| | | 22,000,000 | - |

| | | 2019 ₦ | 2018 ₦ |
|---|---|---|---|
| 14 | **Expenditure** | | |
| | Annual Dinner | 14,428,075 | 22,533,879 |
| | Annual General Meeting Expenses | 302,023 | 2,336,325 |
| | Audit Fee | 1,290,000 | 1,260,000 |
| | Bank Charges | 101,332 | 102,716 |
| | Computer Expenses | 189,760 | 266,600 |
| | Depreciation | 253,384 | 253,473 |
| | Despatch Expenses | 170,926 | 75,507 |
| | Gift | 400,000 | 135,000 |
| | Insurance | 54,260 | 33,194 |
| | Meeting and Seminar Expenses | 7,136,576 | 526,755 |
| | Miscellaneous | - | 5,300 |
| | Office Running Expenses | 571,950 | 556,500 |
| | Printing | 52,500 | 77,000 |
| | Registration Expense | - | 528,290 |
| | Rent | 1,770,000 | 1,800,001 |
| | Sponsorship | 3,000,000 | 7,500,000 |
| | Professional Fee | 537,500 | 525,000 |
| | Service Charge | 232,500 | 90,000 |
| | Travelling Expenses | - | - |
| | Utilities (Diesel and Lightening) | 396,739 | 394,898 |
| | Vehicle Running Expenses | 1,715,166 | 2,410,188 |
| | Leave Allowance | 126,000 | |
| | Bonus (13th Month) | 126,000 | |
| | Wages and Salaries (Note 15) | 7,800,000 | 7,969,799 |
| | Staff Welfare | 72,000 | 100,000 |
| | Repair and maintenance | - | 36,750 |
| | LIRS Tax Liability (WHT Penalty) | 299,565 | - |
| | | 41,026,256 | 49,517,174 |



AIHN ASSOCIATION OF ISSUING HOUSES OF NIGERIA

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | 31 December 2019 N'000 | 31 December 2018 N'000 |
|---|---|---|
| **15 STAFF COSTS** | | |
| Salary and wages | **7,800,000** | 7,969,799 |

The table below shows the numbers of direct employees of AIHN other than employees who discharged their duties wholly or mainly in Nigeria, who earned over N250,000 in the year and which fell within the bands stated:

| ₦ | | ₦ | 31 Dec 2019 ₦'000 | 31 Dec 2018 ₦'000 |
|---|---|---|---|---|
| 300,001 | - | 1,000,000 | **2** | 2 |
| 1,000,001 | - | 2,000,000 | **-** | - |
| 2,000,001 | - | 3,000,000 | **-** | - |
| 3,000,001 | - | 4,000,000 | **-** | - |
| 4,000,001 | - | 5,000,000 | **-** | - |
| 5,000,001 | - | above | **1** | 1 |
| | | | **3** | 3 |

**16 FINANCIAL RISK MANAGEMENT**

The Association has exposure to the following risks from its use offinancial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

This note presents information about the Association's exposure to each of the above risks, the Association's objectives, policies and processes for measuring and managing risk, and the Association's management ofcapital. Further quantitative disclosures are included throughout these financial statements.

**Risk Management Framework**

The Executive Commitee has overall responsibility for the establishment and oversight of the Association's risk management framework.

The Association's risk management policies are established to identify and analyse the risks faced by the Association's, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the Executive Management to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**16 (I) Credit Risk**

Credit risk is the risk offinancial loss to the Association if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Association's receivables from clients and other related parties.

The carrying amount offinancial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | **31/12/2019** | 31/12/2018 |
|---|---|---|
| Trade and other receivables | **9,499,213** | 10,578,245 |
| Cash and cash equivalents | **56,971,862** | 25,156,979 |
| | **66,471,075** | 35,735,224 |

**17 FINANCIAL RISK MANAGEMENT**

**Cash and Cash equivalents**

The cash and cash equivalents held as at 31 December 2019 was N56,971,862 (2018: N25,156,979). The cash and cash equivalents are held by banks and financial institutions in Nigeria.

**17 Liquidity Risk**

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association has a clear focus on ensuring sufficient access to capital to finance growth.

Typically, the credit terms with clients are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing offinancial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities offinancial liabilities, including estimated interest payments and excluding the impact of netting agreements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**Non-Derivative Financial Liabilities:**

| | Carrying amount | Contractual cash flows | Within 1 year | 1 - 2years | 2 - 5years | 5 - 10 years |
|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | |
| Trade and other payables | 2,637,408 | 2,637,408 | 2,637,408 | - | - | - |
| | **2,637,408** | **2,637,408** | **2,637,408** | - | - | - |
| **31 December 2018** | | | | | | |
| Trade and other payables | 2,055,000 | 2,055,000 | 2,055,000 | - | - | - |
| | **2,055,000** | **2,055,000** | **2,055,000** | - | - | - |

**17 Market risk**

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

The Association manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

**Currency risk**

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Association aims to reduce the impact of short-term fluctuations on earnings. Although the Association has various measures to mitigate exposure to foreign exchange rate movement over the longer term, the gains/losses on foreign exchange balances impact on the income statement. The Association monitors the movement in the currency rates on an on-going basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**18 Capital Commitments**

There are no material commitments for capital expenditure not provided for in these financial

**19 Events After Reporting Date**

No events or transactions have occurred since after the reporting date, which would have a material effect upon the financial statements at that date or which need to be mentioned in the financial statements in order not to make them misleading as to the financial position or result of operations at the reporting date.

**20 Contingent Liability**

No contingent liabilities in respect of the year under review.

**21 Approval of Financial Statements**

The Financial Statements were approved by the Executive Committee Members

on February 27, 2020

# STATEMENT OF VALUE ADDED

| | 2019 ₦ | | 2018 ₦ | |
|---|---|---|---|---|
| **GROSS INCOME- Members Subcription** | 27,200,000 | | 19,700,000 | |
| Less: Cost of Goods and Services | | | | |
| Local | (32,972,872) | | (41,293,902) | |
| Value Added from Operations | (5,772,872) | | (21,593,902) | |
| Other Income | 52,291,945 | | 34,393,072 | |
| **Value Added** | 46,519,072 | 100 | 12,799,169 | 100 |
| Distributed as follows: | | | | |
| **Employees** | | | | |
| Salaries | 7,800,000 | 17 | 7,969,799 | 62 |
| **Provided for Asset Replacement** | | | | |
| Depreciation | 253,384 | 1 | 253,473 | 2 |
| Surplus | 38,465,689 | 83 | 4,575,898 | 36 |
| Value Added | 46,519,072 | 100 | 12,799,169 | 100 |

Value added represents the additional wealth the Association has been able to create by its own and direct public support. This statement shows the allocation of the wealth between employees shareholders, government and that retained for the future creation of more wealth.

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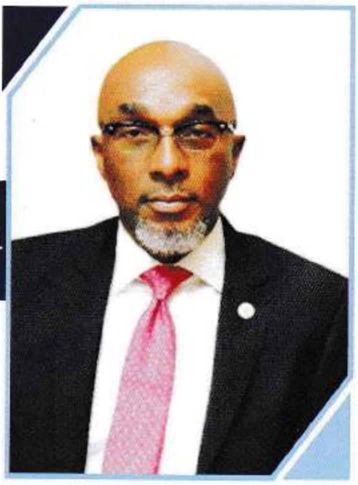
# FIVE YEAR FINANCIAL SUMMARY

## STATEMENT OF FINANCIAL POSITION

| | IFRS 2019 ₦ | IFRS 2018 ₦ | IFRS 2017 ₦ | IFRS 2016 ₦ | IFRS 2015 ₦ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | **56,971,862** | 25,156,979 | 24,449,938 | 43,073,376 | 165,239,879 |
| Property, Plant & Equipment | **1,121,505** | 845,439 | 805,912 | 889,216 | 1,545,926 |
| Financial Assets | **232,847,588** | 223,505,938 | 224,572,920 | 171,873,481 | 28,566,016 |
| Other receivables | **9,499,213** | 10,578,245 | 10,048,290 | 10,445,458 | 2,964,630 |
| **TOTAL ASSETS** | **300,440,168** | 260,086,601 | 259,877,060 | 226,281,531 | 198,316,451 |
| **FUND AND LIABILITY:** | | | | | |
| Accumulated Fund | **297,802,763** | 258,031,602 | 253,175,704 | 219,449,459 | 195,751,408 |
| **CURRENT LIABILITY** | | | | | |
| Other Payables | **2,637,408** | 2,055,000 | 6,701,355 | 6,832,072 | 2,565,043 |
| | **300,440,168** | 260,086,601 | 259,877,060 | 226,281,531 | 198,316,451 |
| **STATEMENT OF PROFIT OR LOSS** | | | | | |
| Income | **79,491,945** | 54,093,072 | 53,185,076 | 44,121,159 | 38,344,696 |
| Expenditure | **41,026,256** | 49,517,174 | 19,178,831 | 20,563,779 | 24,901,144 |
| Surplus | **38,465,689** | 4,575,898 | 34,006,245 | 23,557,379 | 13,443,552 |

# EXECUTIVE COMMITTEE MEMBERS

01


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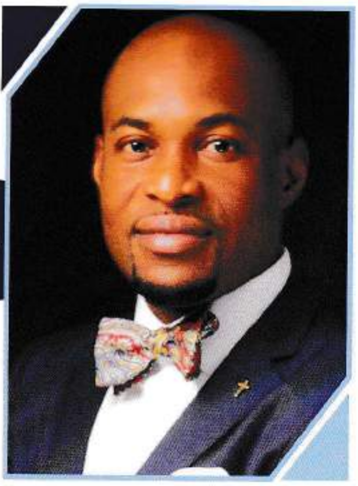

07


1. **MR. CHUKA ESEKA**
   President
2. **IKE CHIOKE**
   1st Vice President
3. **MR. KAYODE AKINKUGBE**
   2nd Vice President
4. **MR. BABATUNDE OBANIYI**
   Director of Publicity
5. **MRS. OYINDA AKINYEMI**
   Director of Finance
6. **MR. SAMUEL CHIDOKA**
   Director of Treasury
7. **MR. EGIE AKPATA**
   Director of Administration.

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