NIGERIAN EXCHANGE GROUP PLC
RC: 2321

**LISTING BY INTRODUCTION**

**On the Main Board**

**of**

**Nigerian Exchange Limited**

**of**

**1,964,115,918 Ordinary Shares of ₦0.50 Each**

**at**

**₦16.15 per Share**

**Financial Advisers**

CHAPEL HILL DENHAM
Advisory

RC 1381308

RMB
Rand Merchant Bank Nigeria Limited

RC 1031371

**Stockbrokers**

CHAPEL HILL DENHAM
Securities

RC 626551

RMB
RMB Nigeria Stockbrokers Limited

RC 1237075

**This Listing Memorandum is dated October 8, 2021**

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## 1 IMPORTANT NOTICE

The information contained in this Listing Memorandum (hereinafter referred to as ''the Memorandum") has been prepared by or on behalf of Nigerian Exchange Group Plc (hereinafter referred to as "NGX Group" or ''the Company" or ''the Group"). Nigerian Exchange Group Plc has engaged Aluko & Oyebode as solicitors, Chapel Hill Denham Advisory Limited and Rand Merchant Bank Nigeria Limited as joint financial advisers and Chapel Hill Denham Securities Limited and RMB Nigeria Stockbrokers Limited as joint sponsoring stockbrokers (the solicitors, joint financial advisers and joint sponsoring solicitors are collectively referred to as ''the Advisers") in connection with the Listing by Introduction of the Company's shares on the Main Board of Nigerian Exchange Limited (''NGX Exchange") (''the Listing").

This Memorandum (references to which and any information contained herein shall be deemed to include any information, whether or not in writing, supplied in connection herewith or in connection with any further enquiries) is confidential.

This Memorandum has been prepared solely in support of the Company's application to NGX Exchange in connection with the Listing. It is not intended to provide the basis of any investment decision, credit or any other evaluation and is not to be considered as a recommendation by the Advisers or the Company or any of their respective subsidiaries, affiliates, directors, partners, officers, employees, representatives, managers, advisers or agents (''the Affiliates") that any person invests in the Company.

This Memorandum does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to purchase, subscribe for, or otherwise acquire, any securities of the Company, its Affiliates and/or any of its joint venture partnerships nor shall it or any part of it nor the fact of its distribution form the basis of or be relied on in connection with any contract or commitment whatsoever. This Memorandum is neither a prospectus nor an offering document.

None of the Company, the Advisers or their respective Affiliates, accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising, directly or indirectly, from the use of this Memorandum or its contents or otherwise arising in connection therewith. The Advisers and their respective Affiliates are acting exclusively for the Company and no one else in connection with the matters referred to in this Memorandum and will not regard any other person (whether or not a recipient of this Memorandum) as their respective clients in relation to such matters or any transaction, arrangement or other matter referred to in this Memorandum and will not be responsible to any other person for providing the protections afforded to their respective clients, or for providing advice in relation to such matters.

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This Memorandum contains "forward-looking statements," which are all statements other than statements of historical facts. Such forward-looking statements include statements regarding the Company's intentions, beliefs, current expectations and projections about future events concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies and the markets in which the Company will operate. Such forward-looking statements involve known and unknown risks; and factors beyond the Company's control could cause the actual results, performance or achievements of the Company to be materially different from the projected results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition, prospects, growth, strategies and the development of the markets in which the Company will operate may differ materially from those made in or suggested by the forward-looking statements contained in this Memorandum. Such forward-looking statements speak only as at the date as of which they are made, and none of the Company, the Advisers or their respective Affiliates, undertakes to review, update or confirm expectations or estimates or to release any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this Memorandum. Accordingly, any reliance placed on such forward-looking statements will be at the sole risk of such reliant party.

## 2 DEFINITIONS

The following definitions apply throughout this document except where otherwise stated:

| **TERM** | **DEFINITION** |
|---|---|
| "Board" or "Directors" | The board of directors of the Company, whose names are set out on pages 6 of this Listing Memorandum |
| "CAC" | Corporate Affairs Commission |
| "CAMA" | Companies and Allied Matters Act, 2020 |
| "CBN" | Central Bank of Nigeria |
| "CITA" | Companies Income Tax Act, Chapter C21, LFN, 2004 (as amended by the Finance Act, 2019 and the Finance Act, 2020) |
| "Company" or "NGX Group" or "The Group" | Nigerian Exchange Group Plc, a public company registered under the laws of Federal Republic of Nigeria with RC number 2321 |
| "CSCS" | Central Securities and Clearing Systems Plc |
| "Director" | A director of the Company |
| "Dollars", "USD", "US$" and/or "$" | United States Dollars or such lawful currency of the United States of America from time to time |
| "EBITDA" | Earnings Before Interest Tax Depreciation and Amortisation |
| "EV" | Enterprise Value |
| FCY | Foreign Currency |
| "Federal Government" | The Federal Government of the Federal Republic of Nigeria |
| "GDP" | Gross Domestic Product |
| "Group" | The Company and its subsidiaries |
| "ISA" | The Investments and Securities Act (No. 29 of 2007) |
| "Listing" | The listing of the entire 1,964,115,918 Ordinary Shares of ₦0.50 each of Nigerian Exchange Group Plc on the Main board of the NGX Exchange |
| "LFN" | Laws of the Federation of Nigeria |
| "Listing Memorandum" or "Memorandum" | This listing memorandum dated October 8, 2021 |
| "Naira" or "₦" | Naira, or such lawful currency of the Federal Republic of Nigeria from time to time |
| "NBS" | National Bureau of Statistics |

| | |
|---|---|
| “NGX Exchange” | Nigerian Exchange Limited |
| “NGX REGCO” | NGX Regulation Limited |
| “NGX RELCO” | NGX Real Estate Limited |
| “Nigeria” or the “Nation” | Federal Republic of Nigeria |
| “OPEC +” | OPEC PLUS, an affiliated entity consisting of 13 OPEC members and 10 of the world’s major non-OPEC oil-exporting nations |
| “P/B” | Price-to-Book |
| “P/E” | Price-to-Earnings |
| “PLC” or “Plc” | Public Limited Liability Company |
| “SEC” | Securities & Exchange Commission, Nigeria |

## 3 CORPORATE DIRECTORY OF THE COMPANY

**Head Office:**

Exchange Group House
2/4 Customs Street
Lagos

**Website:**
www.ngxgroup.com

**Contact telephone number and email:**

(+234) 700 225 5673

ir@ngxgroup.com

## 4 SUMMARY OF THE LISTING APPLICATION

This summary highlights information contained in this Listing Memorandum. It does not contain all of the information to be considered in approving the Company's application. You should therefore read this summary together with the more detailed information, including the financial statements elsewhere in this Listing Memorandum.

| | |
|---|---|
| **Company:** | Nigerian Exchange Group Plc |
| **Joint Financial Advisers:** | Chapel Hill Denham Advisory Limited and Rand Merchant Bank Nigeria Limited |
| **Stockbrokers** | Chapel Hill Denham Securities Limited and RMB Nigeria Stockbrokers Limited |
| **Share Capital (As at the date of this Listing Memorandum)** | **Authorised:**<br><br>₦1,250,000,000 divided into 2,500,000,000 ordinary shares of ₦0.50 each.<br><br>**Issued and Fully Paid:**<br><br>₦982,057,959 divided into 1,964,115,918 ordinary shares of ₦0.50 each. |
| **Mode of Listing** | Listing by Introduction (of all issued and fully paid up Ordinary Shares) |
| **Purpose:** | Nigerian Exchange Group Plc is undertaking a Listing by Introduction of its 1,964,115,918 ordinary shares of ₦0.50 each in order to promote increased liquidity of its ordinary shares in the secondary market, and obtain access to a platform for raising long-term capital from a wide range of local and international investors if and when required. |
| **Listing price** | ₦16.15 per ordinary Share |
| **Market Capitalisation at Listing:** | ₦31,720,472,075.70 |
| **Current operations and principal activities** | Nigerian Exchange Group Plc ("NGX Group" or "HoldCo"), is a leading integrated financial market infrastructure provider in Africa, which emerged as the non-operating holding company from the demutualisation and restructuring of the former company, The Nigerian Stock Exchange Ltd/Gte. NGX Group serves the largest economy in Africa and is strengthening the competitiveness of African economies in order to achieve global prosperity. As a key player in African financial markets, NGX Group takes an active role in shaping the future of the markets through investment in business innovation and technology.<br><br>The Group's vision is to become Africa's preferred exchange hub, growing its traditional business lines while actively assessing new opportunities and business segments that are complementary and support enhanced service delivery to its customers. Accordingly, NGX Group provides a wide range of services including listing and trading securities, licensing, market data solutions, ancillary technology, |

regulatory and real estate through its wholly-owned subsidiaries: Nigerian Exchange Limited, NGX Regulation Limited and NGX Real Estate Limited.

The Group is also invested in companies within the financial markets infrastructure value-chain, including NG Clearing Limited, Central Securities Clearing System Plc, NASD Plc, FMDQ Holdings Plc and three (3) fintech companies.

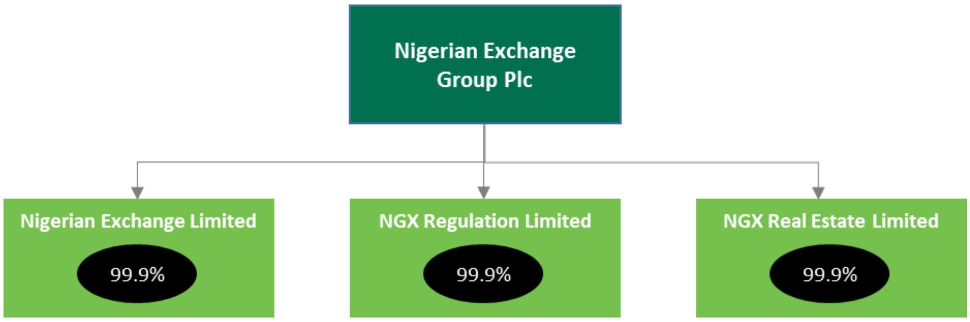
**Shareholding Structure**

As at July 30, 2021, the 1,964,115,918 ordinary shares in the share capital of the Company, are beneficially held by 938 shareholders, none of which held up to 5%.

**Indebtedness:**

As at the date of this Listing Memorandum, the Company had no borrowings.

**Group Structure:**




**Note:** Other subsidiaries include NSE Consult Limited, Coral Properties Limited and NSE Nominees Limited. Coral Properties Limited and NSE Nominees Limited are currently being wound up, while NSE Consult Limited is in the process of being restructured

Consolidated Financial Summary:

| Year ended | 12 months Ended 31 Dec 2020 | 12 months Ended 31 Dec 2019 | 12 months Ended 31 Dec 2018 | 12 months Ended 31 Dec 2017 | 12 months Ended 31 Dec 2016 |
|---|---|---|---|---|---|
| | ₦'million | ₦'million | ₦'million | ₦'million | ₦'million |
| Total Revenue | 6,019 | 7,783 | 7,671 | 8,303 | 4,457 |
| Profit Before Taxation | 1,909 | 3,000 | 2.805 | 3,815 | 67 |
| Profit for the year | 1,839 | 2,258 | 2,703 | 3,792 | 27 |
| Total Assets | 35,107 | 32,181 | 29,070 | 26,689 | 22,794 |

**Claims and Litigations:**

As of July 2021, the total amount, including general damages, claimed against NGX Group is estimated at ₦10,870,348,506.34 (Ten Billion, Eight Hundred and Seventy Million, Three Hundred and Forty-Eight Thousand, Five Hundred and Six Naira, Thirty-Four kobo) and US$411,500.00 (Four Hundred and Eleven Thousand, Five Hundred United States Dollars).

| BOARD OF DIRECTORS | |
|---|---|
| **CHAIRMAN** | Otunba Abimbola Ogunbanjo<br>2/4 Customs Street<br>Lagos |
| **GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** | Mr. Oscar N. Onyema, OON<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Dr. Umaru Kwairanga<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Mrs. Fatimah Bintah Bello – Ismail<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Mr. Oluwole Adeosun<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Mr. Chidi Agbapu<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Mr. Patrick Ajayi<br>2/4 Customs Street<br>Lagos. |
| **DIRECTOR** | Mr. Apollos Ikpobe<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Prof. Enase Okonedo<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Mrs. Ojinika Nkechinyelu Olaghere<br>2/4 Customs Street<br>Lagos |
| **DIRECTOR** | Dr. Okechukwu Crescent Itanyi<br>2/4 Customs Street<br>Lagos |
| **COMPANY SECRETARY** | Mrs. Mojisola Adeola<br>2/4 Customs Street<br>Lagos |

| PROFESSIONAL PARTIES | |
|---|---|
| **FINANCIAL ADVISER** | **Chapel Hill Denham Advisory Limited**<br>10 Bankole Oki Street<br>Ikoyi<br>Lagos |
| **FINANCIAL ADVISER** | **Rand Merchant Bank Nigeria Limited**<br>Wings East Tower (3rd Floor)<br>17A Ozumba Mbadiwe Street<br>Victoria Island<br>Lagos. |
| **STOCKBROKER** | **Chapel Hill Denham Securities Limited**<br>10 Bankole Oki Street<br>Ikoyi<br>Lagos |
| **STOCKBROKER** | **RMB Nigeria Stockbrokers Limited**<br>Wings East Tower (2nd Floor)<br>17A Ozumba Mbadiwe Street<br>Victoria Island<br>Lagos |
| **SOLICITORS TO THE LISTING** | **Aluko & Oyebode**<br>1 Murtala Muhammed Drive<br>Ikoyi<br>Lagos |
| **REGISTRARS** | **DataMax Registrars Limited**<br>2C Gbagada-Oworonshoki Expressway<br>Gbagada<br>Lagos |
| **AUDITORS** | **KPMG Professional Services**<br>KPMG Tower<br>Bishop Aboyade Cole Street<br>Victoria Island<br>Lagos |

## 6 CORPORATE HISTORY OF NIGERIAN EXCHANGE GROUP PLC

Nigerian Exchange Group Plc – (formerly known as The Nigerian Stock Exchange) - dates its history back to September 15, 1960 when the Lagos Stock Exchange (LSE) was founded. There were seven subscribers to NGX Group's Memorandum of Association: R.S.V. Scott, representing C.T. Bowring and Co. Nigeria Ltd.; Chief Theophilus Adebayo Doherty; John Holt Ltd; Investment Company of Nig. Ltd. (ICON); Sir. Odumegwu Ojukwu; Chief Akintola Williams; and Alhaji Shehu Bukar.

Operations at the LSE began officially on August 25, 1961 with 19 listed securities. Informal operations had however commenced earlier in June 1961 and were initially conducted inside the Central Bank building with four firms as market dealers: Inlaks, John Holt, C.T. Bowring and ICON (Investment Company of Nigeria).

In December 1977, the name of the LSE was changed to The Nigerian Stock Exchange with branches established in some of the major commercial cities of the country. By 1984, the All Share Index was launched and attained 1,000 points in 1992 and 10,000 points by year 2000.

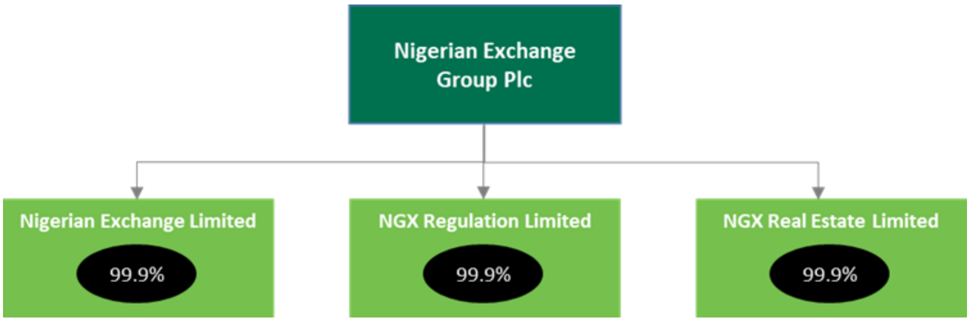
2011 ushered in an era of digital transformation for The Nigerian Stock Exchange, the X-Era, leading to the launch of the historic and robust technology platform known as X-GEN in 2013. This enhanced market access and brought about the advent of mobile trading technologies.

In 2021, The Nigerian Stock Exchange was fully demutualised; changing from a member-owned, not-for-profit entity into a shareholder-owned and for-profit entity. The demutualisation resulted in the emergence of a new structure, with Nigerian Exchange Group Plc being a non-operating holding company with three wholly-owned subsidiaries, Nigerian Exchange Limited (NGX Exchange), NGX Regulation Limited (NGX REGCO) and NGX Real Estate Limited (NGX RELCO).

## 7 CORPORATE STRUCTURE OF NIGERIAN EXCHANGE GROUP PLC

Nigerian Exchange Group Plc has 3 (three) wholly-owned subsidiaries, namely: Nigerian Exchange Limited, NGX Regulation Limited and NGX Real Estate Limited.

The current corporate structure of the Group is shown below:




**Note:** Other subsidiaries include NSE Consult Limited, Coral Properties Limited and NSE Nominees Limited. Coral Properties Limited and NSE Nominees Limited are currently being wound up, while NSE Consult Limited is in the process of being restructured

## 8 NIGERIAN FINANCIAL SERVICES SECTOR, CAPITAL MARKETS AND REGULATORY OVERVIEW

*The information in this section relating to Nigeria and the Capital Markets industry has been extracted from documents and other publications released by various officials and other public and private sources, such as the CBN, the International Monetary Fund ("**IMF**"), the Nigerian Debt Management Office ("**DMO**"), the National Bureau of Statistics ("**NBS**"), the Nigerian Federal Ministry of Finance ("**FMF**") and the Organization of Petroleum Exporting Countries ("**OPEC**"), as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. We have not independently verified the information included in this section. The information in this section has been derived substantially from publicly available information, such as annual reports, official data published by the Nigerian government or regional agencies or other third-party sources as indicated in the text.*

### Introduction

Nigeria is the largest economy in Africa by GDP. In 2020, Nigeria's nominal GDP was US$442billion, nominal GDP per capita was US$2,149[1] and real GDP growth was -1.92%[2]. Nigeria ranks 25 out of 195 countries in the world in terms of GDP on purchasing power parity (PPP) basis, according to the International Monetary Fund[3].

With an estimated population of over 206 million people, Nigeria is the most populous country in Africa and the 7th most populous country in the world. The country's population is forecast to grow at an average of 2.51% annually with its total population expected to reach 230 million by 2025[4]. The NBS also estimates a working age population of 122.1 million[5], with an average life expectancy of 55 years, according to the United Nations Population Fund (UNFPA).

The country has the 9th largest proven crude oil and natural gas reserves in the world. According to OPEC, Nigeria is the fourteenth largest oil producing country globally. Nigeria is also a significant exporter of cocoa, rubber and cassava, in addition to other marketable natural resources.

### Economy

The transition to a multi-party democracy in 1999 ushered in a period of improved political stability, economic liberalisation reforms and macroeconomic stability in Nigeria. The Nigerian economy enjoyed sustained high economic growth for more than a decade between 2000 and 2014, with annual real GDP growth averaging about 7.7% Year-over-Year [Y-o-Y] within the period. The non-oil sector was the major driver of growth, supported by liberalisation reforms in the telecommunications and financial services sectors, as well as a commodity price boom which buoyed consumption expenditure.

In April 2014, Nigeria rebased its GDP from the 1990 base year to 2010. As a result of the rebasing, Nigeria became the largest economy in Africa (surpassing South Africa) and the 26th largest economy in the world, with a nominal GDP of US$568.5 billion in 2014. In addition, real GDP growth post-rebasing was 6.3% in 2014. In 2014, services contributed about 52%; while manufacturing and agriculture, respectively contributed about 9% and 23% to GDP.

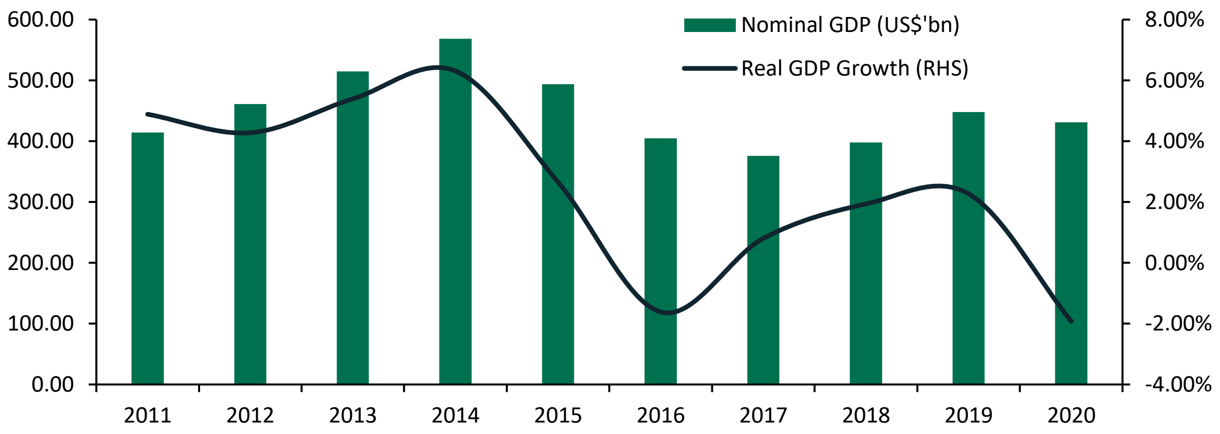
Growth momentum has slowed significantly since 2014, partly due to a commodity price slump and attacks on oil production facilities in the Niger Delta region. Improvements in hydraulic fracturing technology helped enable oil and gas producers to tap reserves in shale formations across North America. As a result of the

[1] "World Economic Outlook Database, October 2019". *IMF.org*. International Monetary Fund. Retrieved 26 December 2019.
[2] National Bureau of Statistics Quarterly GDP data
[3] "World Economic Outlook Database, April 2021". *IMF.org*. International Monetary Fund. Retrieved 7 April 2021.
[4] https://www.worldometers.info/world-population/nigeria-population/
[5] https://nigerianstat.gov.ng/elibrary?page=4&offset=30

shale oil boom which boosted global crude oil supply, oil prices fell from US$114.60 per barrel in June 2014 to a low of US$30.66 per barrel in January 2016.

Nigeria's crude oil production (including condensates) also fell from 2.21 million barrels per day in 2014 to 1.81 million barrels per day in January 2016 after renewed attacks on oil facilities in oil producing communities in the Niger Delta. The oil & gas sector accounted for over 90% of exports and 70% of Federally Collected Revenue in 2014. As such, the decline in oil production and prices led to a twin shock in the external and fiscal accounts, with feedback effects on foreign exchange liquidity and consumption spending. Consequently, real GDP growth weakened to 2.65% in 2015 Y-o-Y and the economy slipped into its first recession since the early 1990s in 2016 as GDP contracted by 1.58% Y-o-Y.

**Figure 1: Nigeria Nominal GDP and Real GDP Growth**




*Source: NBS, Chapel Hill Denham Research*

In response to the drop in oil prices and widening current account deficit, the CBN initially responded pro-cyclically by raising the interest rate and devaluing the USD/NGN rate twice between October 2014 and February 2015. The CBN later changed its strategy in H2-2015 by loosening monetary policy. The exchange rate was also pegged at the interbank market despite investors' concern on overvaluation of the Naira and weak foreign exchange (FX) liquidity.

The CBN subsequently introduced FX policy reforms such as the establishment of the Investors' and Exporters' foreign exchange window (I&E Window) in April 2017 to allow investors and non-oil exporters trade and access foreign exchange without restrictions. The CBN had earlier introduced monthly Naira-settled OTC FX Futures (non-deliverable forwards) contracts to help investors' and domestic corporates with foreign currency loans hedge against devaluation, thus reducing the incentive for frontloading FX demand and hoarding.

The pro-market FX market reform introduced by the CBN, as well as tightening of monetary policy, was the major catalyst for improvement in foreign investors' appetite for Nigerian assets in 2017. Capital importation significantly increased to US$12.2bn in 2017. The balance of payment was further supported by improvement in current account surplus to 2.8% of GDP from 0.7% of GDP in 2016, following recovery in oil prices and domestic crude oil production. Average crude oil prices strengthened by 23.3% in 2017 in response to the decision of OPEC and key non-OPEC countries, including the Russian Federation, to cut oil production. Crude oil production (including condensates) also rose by 4.5% in 2017 to 1.89 million barrels per day after the Federal Government negotiated a ceasefire with militant groups.

Nigeria was able to achieve macroeconomic stability in 2017 on the back of the improvement in foreign exchange liquidity and rebound in crude oil production. In addition, growth has also been buoyed by the development and implementation of the Economic Recovery and Growth Plan (ERGP), which has focused on economic diversification, infrastructure development, amongst others. The economy exited recession in 2017 and grew by 0.81% in 2017 in real terms compared to a contraction of -1.62% in 2016. Growth momentum quickened to 1.91% in 2018, driven by recovery in the manufacturing and telecommunications and information services sectors. Real GDP growth picked up marginally to 2.27% in 2019, supported by improvements in industry (2.31%), agriculture (2.36%) and services (2.22%).

However, the onset of the COVID-19 health pandemic in Q1-2020 led to a sharp contraction in global economic activities. Authorities adopted some strict social distancing measures, including lockdowns, to curb the spread of the virus, which had negative feedback effects on global trade and mobility, economic output and oil prices. In response to the collapse in crude oil prices, OPEC members and some non-OPEC nations including Russia, eventually agreed on an oil production cut agreement in April 2020 after a destructive oil price war sent oil prices to multi-year lows. The domestic economy is not immune to the impact of deteriorating global macros and collapse of major commodity prices. Against this backdrop, the Nigerian economy shrank by 6.1% YoY in Q2-2020 and a technical recession was confirmed in Q3-2020 as the economy contracted by 3.62% YoY, as a result of lower oil production (in compliance with the OPEC PLUS oil production cut) and impacts of the COVID-19 restrictions and scarce foreign exchange liquidity. However, the economic recession proved to be short-lived, as the economy posted a surprising early recovery from the COVID-19 induced recession in Q4-2020. Notably, the report showed that economic activities expanded by 0.11% YoY, a sizeable improvement from -3.62% YoY in Q3-2020, despite the re-imposition of restrictions by some state governments in December to subdue a much stronger COVID-19 infection wave. The strong rebound in activities was led by the non-oil sector, which expanded by 1.69% YoY from -2.51% YoY in Q3-2020. On the other hand, the oil sector had a deeper contraction of 19.76% YoY from 13.89% YoY in Q3-2020, due to greater compliance with the OPEC+ production cut, which drove oil production lower by 22% YoY and 6.6% Quarter-over- Quarter [QoQ] to a 30-year low of 1.56mb/d.

In Q1 2021, economic activities picked up pace as aggregate GDP growth registered at 0.51% YoY, enabled by strong fiscal and monetary responses of policymakers to maintain the post-Covid growth trajectory. The federal government has unveiled the Nigerian Economic Sustainability Plan (NESP) to support the economy with N2.3tn or 1.5% of GDP. The CBN has also announced different stimulus measures, which could be estimated at N3.5tn or 2.4% of GDP.

Nonetheless, the Nigerian economy faces the risk of being stuck in a low-growth environment over the medium term. Real GDP growth has consistently fallen short of the 2.75% population growth rate, implying that per-capita income, measured in real terms, is on the decline. The economic recovery is also yet to be broad-based, with the telecommunications and information services sector accounting for a larger proportion of GDP growth since 2018. President Muhammadu Buhari GCFR successfully renewed his mandate for a second four-year term as President in February 2019.

**Key Macroeconomic Indicators**

**Table 1: Macro Economic Data**

| Economic Indicators | 2019 | 2020 | 2021F | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|---|
| GDP at current prices (US$ billions) | 446.5 | 429.4 | 508.0 | 560.0 | 660.0 | 742.9 |
| Real GDP growth (%) | 2.27% | -1.92% | 2.50% | 2.30% | 2.20% | 2.10% |
| GDP per capita (US$ market exchange rates) | 2,222 | 2,083 | 2,602 | 2,830 | 3,075 | 3,346 |
| Average Consumer Price Index (CPI) (%) | 11.39% | 15.75% | 17.47% | 16.10% | 14.80% | 13.50% |
| Monetary policy rate (%) | 13.5% | 13.5% | 14.0% | 14.0% | 13.5% | 13.5% |
| Current account/GDP (%) | -3.6% | -4.5% | -2.5% | -2.0% | -1.5% | -1.4% |
| Population (million) | 201.0 | 206.1 | 211.4 | 216.7 | 222.2 | 227.7 |
| Total external debt (US$ billions) | 27.4 | 33.3 | 35.0 | 35.4 | 41.5 | 45.6 |
| Total external debt (% of GDP) | 6.1% | 7.8% | 7.5% | 7.5% | 7.5% | 7.5% |
| Exchange rate US$/N (average)* | 360.7 | 410.3 | 420.0 | 435.0 | 440.0 | 450.5 |

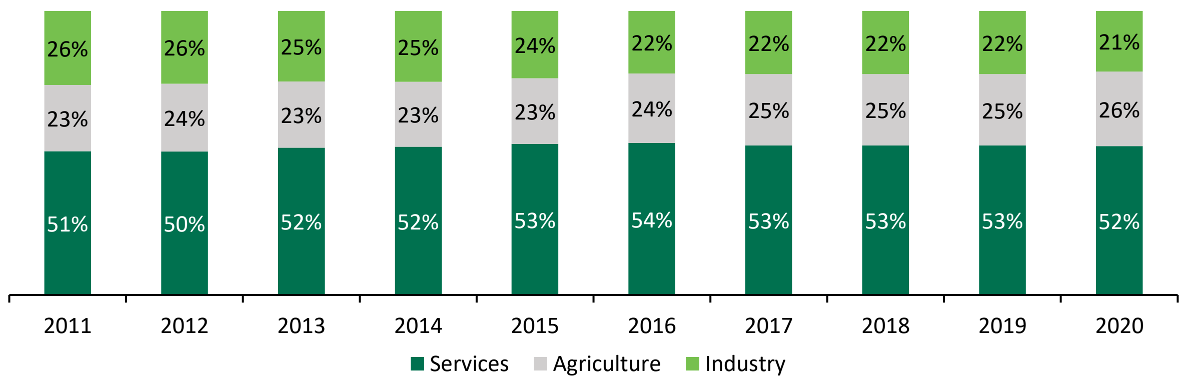
*Source: IMF, DMO, Chapel Hill Denham Research*

** refers to I&E Window rate*

**2020 GDP by Sector Contribution**

According to NBS, the Services sector contributed the largest percentage to Nigeria's real GDP as at FY-2020, accounting for 52.44% of aggregate GDP. Services sector is dominated by Trade, Information & Communications and Real Estate. The Agriculture sector is dominated by Crop Production, trailed with a contribution of 26.21%. The Industrial Sector followed with 21.36%, comprised mainly of Oil & Gas, Manufacturing and Construction. The Services sector is dominated by Trade and Telecommunications & Information Services. A breakdown of GDP contribution by sector is given below.

**Figure 2: Sectoral Contributions to GDP**



**Fiscal Defict**

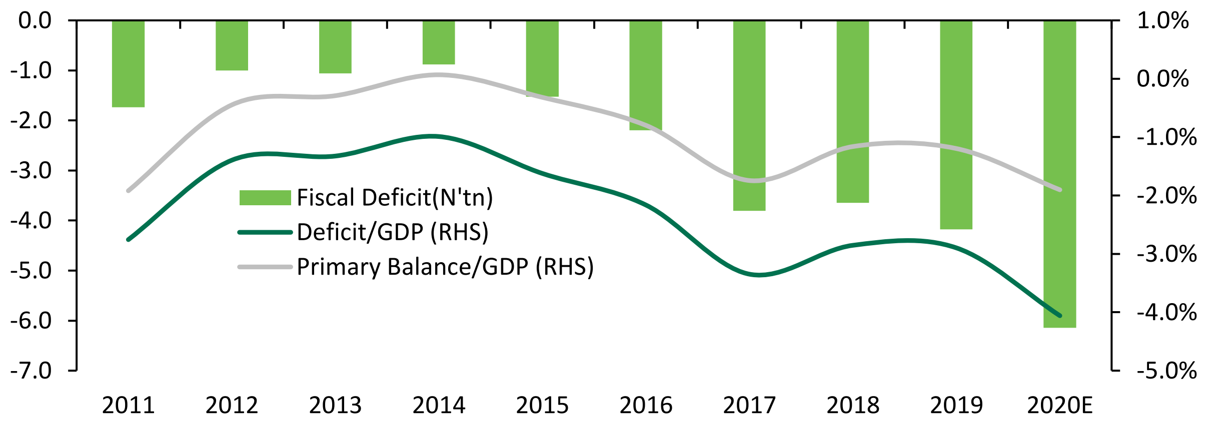
The Federal Government of Nigeria's fiscal deficit increased by 47.1% to ₦6.1 trillion (4.1% of GDP) in 2020 from ₦4.2 trillion (2.9% of GDP) in 2019, according to Budget Office. The deficit in 2020 was 24% above the revised target of ₦5.0 trillion.

At the start of the fiscal year 2020, the Government implemented some major fiscal policies. On the expenditure side, the Government began implementing the new minimum wage law, which prescribes an upward review of minimum wage to ₦30,000 per month from ₦18,000 per month. The Nigerian Labour Congress and the Federal Government have also negotiated a consequential adjustment in wages of civil servants across all levels. On the revenue side, the measures include: (1) the Deep Offshore and Inland Basin Production Sharing Contract (PSC) Act which improves the fiscal terms for deep offshore fields, and (2) the Finance Act 2019, which, amongst other provisions, prescribes an upward review of Value Added Tax (VAT) rate to 7.5% from 5.0%, and (3) the Finance Act 2020.

However, the COVID-19 induced economic slowdown rendered most assumptions in the 2020 budget signed in December 2019 unrealistic. As a result, the Ministry of Finance acted swiftly to revise the 2020 budget. In July 2020, President Muhammadu Buhari signed the revised 2020 Budget into law, after undergoing series of adjustments to better reflect current realities in the economy. The revised budget lowered the aggregate revenue target by 34% to ₦5.6 trillion from ₦8.4 trillion (including revenue from top 10 Government Owned Enterprises), largely due to adjustments made to oil revenue (-62% to ₦1.0 trillion). The large adjustments in oil revenue were on the back of more prudent assumptions, with oil production and prices adjusted to 1.7mb/d and US$28/b from 2.18mb/d and US$57/b, respectively. On the expenditure side, the government made little changes in line with its expansionary fiscal policy to support the economic recovery. Gross expenditure is projected at ₦10.8 trillion (up 2% from ₦10.5 trillion previously). Against this backdrop, fiscal deficit has been revised higher to ₦5.0 trillion or 3.3% of GDP, from ₦2.2 trillion or 1.4% of GDP.

The Federal Government has proposed an expansionary budget for fiscal year 2021. Compared to the revised 2020 budget, total expenditure is proposed to increase by 26% to ₦13.6 trillion, while expenditure is proposed to increase by 24% to ₦6.6 trillion. Also, fiscal deficit is projected to increase by 12.6% to ₦5.6 trillion.

**Figure 3: Nigeria's Fiscal Deficit**

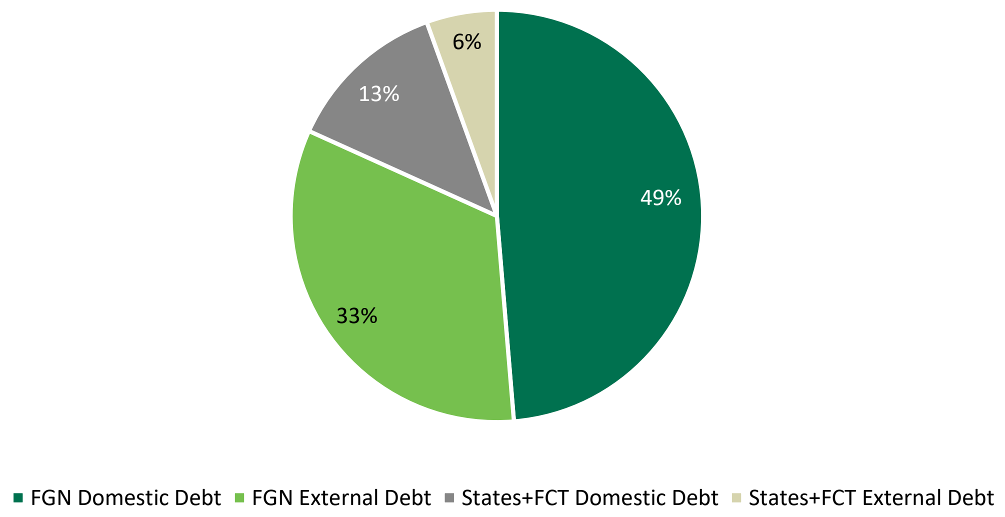


**Public Debt**

As at December 2020, Nigeria's total public debt was US$86.4 billion (₦32.9 trillion or 21.61% of GDP) according to the DMO. Of the outstanding public debt, the external component was US$33.3 billion, having increased from US$10.7 billion in 2015, after the DMO started implementing a new medium term (2016-2019) debt management strategy. The 2016-2019 debt management strategy targets a debt composition of 60:40 for domestic and external debt, respectively, as against 83:17 at end-2015, to reduce the cost of servicing while taking into consideration the need to moderate foreign exchange risk. The domestic debt stood at ₦20.2 trillion (US$53.0 billion), having increased from ₦10.5 trillion (US$54.7 billion in 2015). The increase in external borrowings altered the debt mix to 61:39 for domestic and external debt, respectively, in December 2020. The DMO's new medium term (2020 – 2023) borrowing strategy targets a debt mix of 70:30 for domestic and external debt respectively, implying the government plans to increase the stock of domestic debt relative to external debt.

The DMO's new medium term (2020 – 2023) borrowing strategy also targets a domestic debt mix of 75:25 for long and short-term debts, respectively, from 69:31 actual as at end-2015, with the objective of reducing debt service cost and rollover risk. The Federal Government has subsequently reduced its treasury bills liabilities and achieved the objective of lengthening the maturity profile of its domestic debt. As at December 2020, the domestic debt mix of the Federal Government's debt stood at 83:17 for long and short-term debts, respectively.

**Figure 4: Public Debt Profile as at December, 2020**




**Capital Markets**

Sentiment for Nigerian equities improved significantly in 2017 following the pro-market FX reforms by the CBN and the economic recovery. The All-Share Index returned 42.3% in the year to emerge as one of the best performing in the world. The ASI lost momentum in 2018, shedding 17.8% in 2018, partly due to a global risk aversion for emerging and frontier markets (EM/FM) assets, as well as idiosyncratic domestic factors ranging from increase in political risk premium ahead of the 2019 general elections to the weak momentum of the economic recovery.

Despite seemingly low valuation of equities and dovish policy outlook of key central banks in Europe and the U.S., foreign portfolio investors inflow into the equity market was weak in 2019 due to weak growth momentum and subdued earnings outlook. The primary market, however, witnessed a boom with two large equity listings in 2019. Nigeria's largest telecommunications company, MTN Nigeria Communications Plc, listed by introduction in May 2019. Airtel Africa Plc followed in July 2019 with an Initial Public Offering (IPO) and secondary listing on The Nigerian Stock Exchange. Both listings boosted equity market capitalization, which was up 10.6% in 2019.

Investor sentiments in the equity market was bullish in 2020, as a result of increased allocation to risk assets by local investors due to low yields in the fixed income market. The All-Share Index of The Nigerian Stock Exchange (NSE) appreciated by 50.03% in 2020, the best annual performance of the index since 2007 and one of the best in the world.

Similar to the equity market, sentiments in the fixed income market turned bullish in 2017 as yields compressed by 305bps on the sovereign yield curve to an average of 13.93% on 29 December 2017, due to the rebound in foreign portfolio inflows following the CBN's pro-market foreign exchange policy. The DMO's strategy to reduce domestic debt issuance in favour of external debt also supported the bullish sentiment in the fixed income market in 2017. The market turned bearish in mid-2018 due to risk aversion for emerging and frontier markets assets, weaker oil prices and escalation of the trade conflict between the U.S and China. The CBN also tightened its balance sheet policy in response to rising domestic political risk premium ahead of the 2019 elections. The market became bullish in 2019, as the sovereign yield curve moved lower by over 5.0ppts to an average of 9.55%, resulting from the interest rate cut by the CBN in March (-50bps to 13.50%) and the unexpected change in the structure of the fixed income market, particularly the decision by the CBN to restrict non-bank local investors from the market for Open Market Operation (OMO). In 2019, the Nigerian bonds returned 35% compared to the broader emerging markets universe of 12%.

The Nigerian local currency bond market continued to outperform peers in 2020, aided by the liquidity glut in the money market and dovish monetary policy of the CBN indicated by a cumulative 200bpsdecline in the Monetary Policy Rate (MPR) . Despite record bond issuance by the DMO to fund the widening budget deficit, Nigerian bonds delivered outstanding returns in 2020, due to the dovish tilt of the central bank. The CBN trimmed its benchmark Monetary Policy Rate (MPR) twice in the year by 100bps each, to 11.50%. Its balance sheet policy has also been dovish, with issuances of open market operation bills by the Bank tracking at an 8-year low. The S&P FMDQ Nigerian Bond index returned 39.3% in 2020, as yields on benchmark bonds compressed by an average of 515bps to 6.32%.

In 2021, both equity and bonds have reversed some of the gains recorded in 2020. Notwithstanding, there is scope for upside considering the tepid stance of the government and the CBN to withdraw the initiated economic stimulus during the previous recession and the progress in vaccination buoying financial market sentiments. Outlook suggests a fair ride for the capital market in 2021 consequent on policy supports.

**Foreign Reserves**

As at December 2020, Nigeria's foreign reserves stood at US$35.4 billion compared to US$38.6 billion at the beginning of the year, representing an 8.3% year-to-date decline. The decline in external reserves is against the backdrop of imbalances in the current account, as a result of a significant decline in oil prices due to the outbreak of COVID-19. External reserves reached a low of US$33.4bn in April, but have rebounded subsequently, thanks to the US$3.4bn IMF Rapid Financing Instrument (RFI) disbursement to Nigeria and US$288.5mn loan from the AfDB. Brent crude oil also recovered from the April 2020 lows of sub US$20/b price, eventually closing the year at US$51.8/b. In addition, the CBN also introduced demand management measures to reduce pressures on external reserves. The outlook for oil prices is positive, supported by the OPEC production cut curbing supply, as well as a vaccine-powered global growth recovery lifting demand.

**Foreign Exchange**

The CBN has intensified efforts to converge Nigeria's multiple exchange rates in a bid to reduce arbitrage incentives and round tripping. In 2019, the CBN adjusted the retail and wholesale intervention USD/NGN rate to ₦358 from ₦330 in August 2018. Also, the CBN adjusted the foreign exchange rate for computing customs duty to 326 from 306. The USD/NGN rate in the Investors' and Exporters' Window (I&E Window), which is most flexible of the multiple exchange rates, closed flat year-on-year in 2019 at ₦364.70. The currency initially strengthened following the conclusion of the 2019 Presidential election in February 2019, but gave up gains towards the end of the year due to capital outflow pressures.

In 2020, Nigeria's foreign exchange market came under pressure as a result of the twin shock of weaker prices and decline in foreign portfolio inflows, both linked to the COVID-19 health pandemic. Against the backdrop, the Naira weakened across all segments of the foreign exchange market. Notably, the CBN adjusted its official USD/NGN peg by 19% to ₦379.0/US$ in December 2020 from ₦307.0/US$ in 2019. The apex Bank also engineered an 11% depreciation in the Investors' and Exporters' Window (I&E Window), to ₦410.3/US$ from ₦364.70/US$ in 2019. In addition, liquidity weakened substantially in the I&E Window, as the average daily turnover fell by 45% to US$145mn in 2020 from US$262mn in 2019. Furthermore, as a result of demand management measures imposed in the regulated FX windows, as well as lower intervention sales by the CBN in the Bureau de Change (BDC) segment, the Naira depreciated much faster against the USD in the parallel market, by 23% to ₦470.00. This has led to a wider parallel market premium in the foreign exchange market.

The c.US$25bn annual remittance market has started gaining the attention of CBN to shore up the foreign reserves as dollar inflows via oil receipts remain challenged by low production quota by OPEC+. The CBN recently introduced a policy on diaspora remittance, where International Money Transfer Operators (IMTOs) are directed to make diaspora remittances available to beneficiaries in foreign currency (US dollars). According to the CBN, foreign currency inflows through this channel should support the balance of payment position, reduce dependence on external borrowing and improve the US$ liquidity in the economy. In furtherance of the new FCY remittance policy, the CBN also recently introduced a "five naira for one dollar" scheme, for inflows received via licensed IMTOs (International Money Transfer Organisations). The new scheme means that recipients of USD inflows into Nigeria will receive an additional ₦5.00 for every US$ received in cash or paid into domiciliary accounts. While all these are positive, outlook suggests further adjustments in the I&E Window rate will be required to close the parallel market premium.

**Inflation**

The 3-year long disinflationary trend in consumer price inflation reversed in the third quarter of 2019 as a result of a food price shock triggered by security measures to tighten Nigeria's border control. Notably, headline inflation rate rose for the 16th consecutive month in December 2020, surging by 87bps in the month to a 37-month high of 15.75% YOY, from 13.89% YOY in December. Inflation rate rose by 378bps between December 2019 and December 2020, mainly driven by increase in food inflation as a result of the partial closure of Nigeria's land borders to trade, weaker exchange rate, supply chain challenges and weak harvest. Food inflation accelerated to a 37-month high of 19.60% YOY in December 2020, from a trough of 13.17% YOY in August 2019, reflecting the impact of the partial border closure, weak harvest and other structural challenges in the food value chain. Core inflation has also come under pressure, rising to a 34-month high of 11.37% YOY in December 2020, on the back of renewed foreign exchange liquidity challenges, adjustment in fuel prices and COVID-19 induced supply chain disruptions.

Upside risks to consumer prices are elevated, from demand-pull factors and supply-push factors. From the demand side, strong growth in private sector credit and increased fiscal spending could have inflationary impacts. From the supply side, increase in electricity tariff by the Nigerian Electricity Regulatory Commission (NERC), increase in crude oil prices (with feedback on domestic fuel prices) and heightened insecurity in food producing communities are headwinds to the inflation rate. The weaker exchange rate at all segments of the FX market could also have a pass-through to inflation.

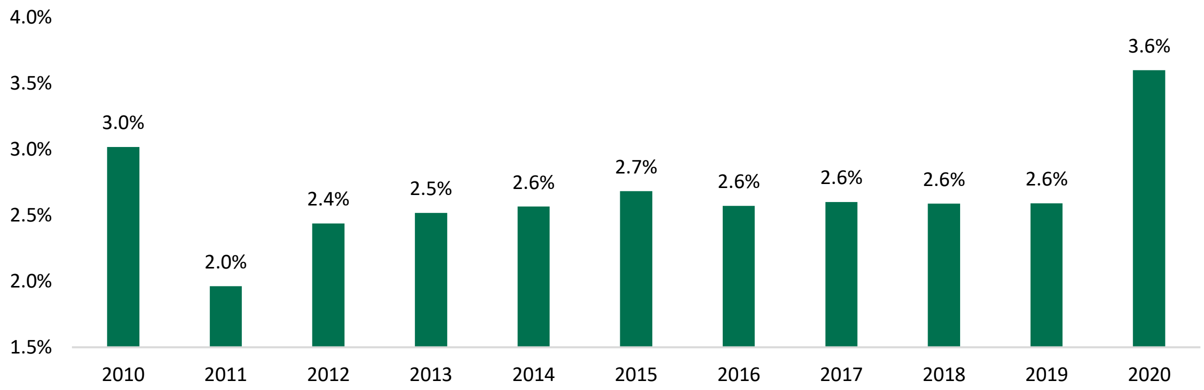
***THE NIGERIAN FINANCIAL SERVICES SECTOR AND REGULATORY OVERVIEW***

One major event that shaped the evolution of the financial services sector and set in motion the need for tighter regulatory oversight was the 2008 global financial crisis. The global financial crisis had an impact on the capital market, the banking sector, foreign exchange, balance of payments, as well as the real sector. The crisis ushered in shortage of capital flows as foreign investors' flight to safety heightened. Consequently, this translated to a massive slump in the Nigerian equity market performance—~70 percent dip between March 2008 and April 2009. Furthermore, due to the havoc wreaked on the real sector, the crisis cascaded into fresh waves of asset quality concerns as Non-Performing Loan (NPL) ratio of banks rose to elevated levels.

In a bid to align the banking sector to international best practice, a regulatory induced bout of consolidation was introduced in 2004. The consolidation aimed at firming up the capital base of sector players. This required that the minimum capital base be raised from N2bn ($15m) to N25bn ($190m). As a result the number of banks in Nigeria reduced from 89 to 25 at the time of the exercise. The banking sector reform had happened a few years before the global financial crisis of 2007/2008 and this reform made the Nigerian financial services sector ready to absorb the shock of the global financial crisis and other idiosyncratic factors.

In terms of oversight, the Nigeria financial services regulatory framework is composed of the Central Bank of Nigeria (CBN), the Ministry of Finance, the Nigerian Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM), the Nigerian Exchange Limited (NGX) and the National Board for Community Banks (NBCB). There is also a Financial Services Regulation Coordinating Committee (FSRCC), charged with coordinating the activities of these regulatory institutions.
Despite the meagre contribution to GDP (2020: 3.6%), the Nigerian Financial Services sector is an integral part of Nigeria's economy. The sector which was originally synonymous to the banking sector has undergone significant changes in terms of the policy environment, number of institutions, ownership structure, depth and breadth of markets, as well as regulatory framework. These changes have birthed two main segments—banking and non-banking financial institutions. Although a wide variety of financial institutions exist, commercial banks dominate the financial services sector.

**Figure 5: Financial services sector (% of GDP)**



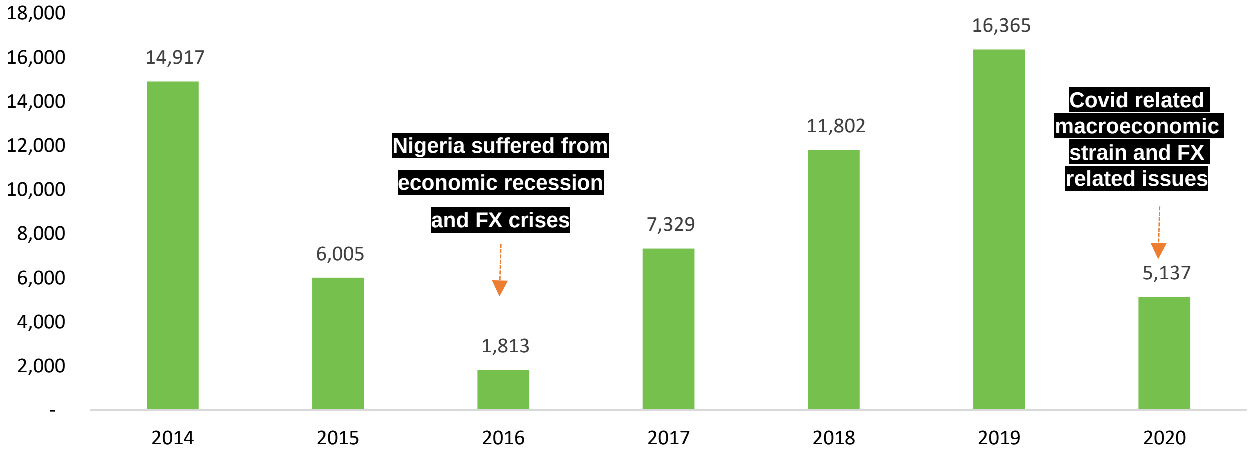

*Source: National Bureau of Statistics, Chapel Hill Denham Research*

On the banking side, the financial intermediation is carried out in Nigeria primarily through the commercial and merchant banks. These institutions are deposit-taking institutions offering loans and providing other services. Commercial banks clearly dominate the banking system, accounting for a large chunk of total financial assets. While merchant banks are predisposed to institutional and wholesale clients, their operations sometimes overlap with that of commercial banks, explaining why some commercial banks have a merchant house. However, their primary focus lie in catering to the needs of corporate and institutional customers, and are encouraged to provide medium and long-term financing.

The non-banking side of the financial services sector includes financial markets (money and capital markets), financial institutions including the regulatory and supervisory authorities, development finance institutions (Urban Development Bank, Nigerian Agricultural and Rural Cooperatives Bank) and other finance institutions (insurance companies, pension fund administrators and custodians, finance companies, bureau de change, and primary mortgage institutions), among others. Although most non-bank financial services firms have the potential to mobilize and disburse long-term financial resources like their banking counterparts, they still control a small portion of the overall financial assets in Nigeria. However, this segment has grown tremendously over the past two decades. For context, prior to the consolidation of banks, the activities in the capital market were relatively low only accounting for ~10% of GDP. However, since consolidation, remarkable growth has been recorded—with market capitalization increasing from ~USD$5.3 billion in 2002 to ~USD$48.5 billion in 2021 (13.8% of GDP).

The two major determinants of the massive valuation boost of Nigeria's capital market are (i) the implementation of the compulsory defined Contributory Pension Scheme which serves as a major source of capital flow to the capital market and (ii) massive flow of foreign capital from international investors. On the former, in nominal terms, pension fund assets have grown rapidly. To provide some context, in 2012 the industry RSA holders were 4.01million and total Pension Fund Assets printed at N1.5trillion. However, as at end of 2020, the industry had grown investable fund assets and RSA registrations to N12.3 trillion and 9.14 million respectively. While foreign portfolio investments are a major source of funds flow to the Nigerian capital market, they appear sensitive to various idiosyncratic factors. This explains the highly volatile nature of historical foreign funds flow to Nigeria.

**Figure 6: Portfolio investment flow ($'million)**




*Source: National Bureau of Statistics, Chapel Hill Denham Research*

***OVERVIEW OF THE NIGERIAN CAPITAL MARKET AND REGULATORY OVERVIEW***

The Nigerian capital market is a long-term investment market where equities (or stocks) debt securities, derivatives and commodities are traded. It is the segment of the financial market that deals with the effective channelling of medium to long-term funds from the surplus to the deficit unit, according to the SEC.

The Nigerian capital market is regulated by the SEC, which is the apex regulatory body, empowered under the ISA, to regulate and develop the market under the supervision of the Federal Ministry of Finance. The regulatory oversight of the SEC covers all corporate bodies and individuals authorized to perform designated functions in the Nigerian capital market. These include Self-Regulatory Organizations (SROs), clearing systems and other capital market operators.

The instruments traded in the capital market include:

1. **Debt instruments:** These are instruments utilized by companies, governments or other groups to generate funds for capital intensive projects. They can be issued through the primary market (a market where new securities are issued) or traded on the secondary market (a market where investors buy and sell existing securities). These instruments create a borrower-creditor relationship between the issuer and the debt holder (creditor) and thus, does not necessarily imply the creditor's ownership in the business of the borrower. The contract is for a specific duration and interest is paid at specified periods as stated in the trust deed or contract agreement. The principal sum invested, is repaid either at the expiration of or in instalments through the contract period, with interest paid quarterly, semi-annually or annually.

2. **Equities (also called common stock):** These instruments are issued by companies, through the primary market and traded on the secondary market. Investment in equities translates to ownership of the business which stands in perpetuity unless sold to another investor in the secondary market. The investor therefore possesses certain rights and privileges (such as the rights to vote and hold position) in the company. Contrary to the debt market where the investor may be entitled to interest which must be paid, the equity holder receives dividends, at the discretion of the board of directors.

3. **Preference Shares:** Preference shares are issued by corporate organisations and possess the characteristics of equity instruments in the sense that when the authorized share capital and paid up capital of a company are being calculated, preference shares are added to equity capital to arrive at

the total. Preference shares can also be treated as debt instruments as they may not confer voting rights on holders and have a dividend payment that is structured like an interest (coupon) paid for bonds issues.

4. **Derivatives:** These are instruments with values reliant upon or derived from an underlying asset or group of assets. The price, risk and function of a derivative instrument depend on the underlying assets since whatever affects the underlying asset must affect the derivative. Examples of derivatives include Mortgage-Backed Securities (MBS), Asset-Backed Securities (ABS), Futures, Options, Swaps, Rights, exchange traded funds or commodities. According to the SEC, the most common derivative in Nigeria is trading in Rights where the holder of an existing equity instruments is given the opportunity to acquire an additional quantity to their holding shares in an allocated ratio.

**Intermediaries in the Nigerian capital market**

The intermediaries in the capital market include corporate bodies and individuals who facilitate securities transactions. They include Issuing Houses, Stockbrokers/Dealers, Investment advisers, Portfolio/Fund Managers, Registrars, Trustees, Receiving Agents, Receiving Banks, Solicitors, Auditors, Reporting Accountants and Commodity Brokers.

**Regulatory overview**

The information in this section is sourced from the SEC and CBN. Concerning developmental functions, the SEC employs strategies such as public enlightenment programmes, promotion of new products and services, research, publications as well as capacity building through the Nigerian Capital Market Institute (NCMI).

For effective regulation of the market, SEC applies various regulatory/supervisory tools such as registration of market facilities, operators and securities to be traded in the market, monitoring/inspection, investigation, enforcement and rule-making. Below is a brief description of the functions of the SEC.

- **Registration:** The SEC registers securities and market intermediaries to ensure that only fit and proper persons / institutions are allowed to operate in the market. Instruments and persons registered in the market are Securities/Commodity Exchanges/Capital Trade Points, Futures, Options and derivative exchanges, Depository, clearing and settlement agencies, Securities and Collective investment schemes.

- **Inspection:** The SEC inspects at regular intervals either “onsite” or “offsite”. It undertakes and conducts inquiries and audits of any participant in the market whenever necessary.

- **Surveillance:** This is carried out over exchanges and trading systems to forestall breaches of market rules as well as deter and detect manipulations and trading practices, which are capable of causing market disruption.

- **Investigation:** The SEC investigates alleged breaches of the laws and regulations governing the capital market and metes out sanctions where appropriate.

- **Enforcement:** The SEC enforces the provisions of the ISA and its rules and regulations. The SEC also has powers to investigate events in the capital market and monitor the activities of market operators.

- **Rule Making**: The SEC makes rules and regulations as developments occur in the capital market. This ensures that the SEC keeps pace with international best practices.

## 9 BUSINESS OVERVIEW OF NIGERIAN EXCHANGE GROUP PLC

Nigerian Exchange Group Plc ("NGX Group") is a leading integrated market infrastructure in Africa, servicing the largest economy in Africa and strengthening the competitiveness of African economies to achieve global prosperity. As a key player in the continent's financial markets, NGX Group takes an active role in shaping the future of the markets through its investment in business innovation and technology.

NGX Group is a non-operating holding company and it provides a wide range of services including listing and trading securities, licensing, market data solutions, ancillary technology, regulation, real estate, and more through its wholly-owned subsidiaries – NGX, NGX REGCO, and NGX RELCO. The Group is also invested in companies within the financial markets infrastructure value chain including NG Clearing Limited, Central Securities and Clearing Systems Plc (CSCS), NASD Plc, FMDQ Holdings Plc and three fintech companies.

**Nigerian Exchange Limited**

Nigerian Exchange Limited, a wholly owned subsidiary of NGX Group, is a leading listing and trading venue in Africa. It is a professional and vibrant exchange, connecting Nigeria, Africa, and the world.

NGX Exchange is a multi-asset exchange providing a home to the best of African enterprises listed on its Premium, Main, and Growth Boards; diverse fixed income securities; Exchange Traded Products (ETPs); Mutual and other investment funds. Through its vibrant secondary market, NGX Exchange provides domestic and international investors, with access to these securities. In addition, NGX Exchange provides licensing services, market data solutions, ancillary technology services, and more.

NGX Exchange deploys innovative capital market solutions that provide a globally competitive platform for issuers to raise capital, and investors to meet their financial objectives across markets and geographies while maintaining a seamless flow of information. NGX Exchange prioritises outstanding customer service and experience, creating loyal and delighted clients and stakeholders by elevating its ecosystem and providing a portfolio of globally competitive products and services which help its customers achieve their financial ambitions. As part of its strategy, NGX Exchange leverages technology through digitisation, digitalisation and digital transformation, building on existing technology, and minimising frictions between NGX Exchange platforms and market participants. NGX Exchange is licensed under the ISA and is regulated by the SEC.

***i. Listing Services***

NGX Exchange is Africa's premier listing destination for corporates, governments and international issuers looking to raise capital, drive growth and enhance their profiles. NGX Exchange provides issuers access to growth-enabling capital from a unique pool of domestic, regional and international investors, combined with its efficient listing process, competitive pricing and state-of-the-art trading system. NGX Exchange takes a collaborative and customer focused approach to assisting issuers interested in accessing the capital market of the largest economy in Africa. NGX Exchange lists a wide range of securities including Equities, Fixed Income, Exchange Traded Funds (ETFs) to Mutual Funds, to meet the capital raising needs of issuers.

***ii. Trading Services***

To promote efficient secondary market, NGX Exchange operates a fully-electronic hybrid market for the execution of quote and order-driven transactions. NGX Exchange provides Trading License Holders as well as institutional and retail investors, access to increased liquidity in listed securities. By leveraging best in class market design and infrastructure, NGX Exchange operates a trading venue that offers investors integrated straight-through trading and post-trade process with efficient execution across all asset classes. A comprehensive range of investment products, including Equities, Exchange Traded Funds and Bonds, are currently traded on NGX Exchange using its modern and high-performance trading platform. Securities traded on NGX Exchange Equities Market are listed on Premium Board, Main Board, Growth Board, Real Estate Investment Trusts (REITs) and Closed-end Funds. NGX Exchange is in the process of establishing the first Exchange Traded Derivatives (ETDs) market in West Africa, which would help investors manage their exposure to risks in the capital market.

NGX Exchange also prioritizes financial literacy programs, driven by the need for investors to understand the characteristics of listed securities including how these securities are issued and traded, in order for them to take advantage of the benefits of the Exchange's multi-asset offerings.

***iii. Data***

With a network of strong global alliances and a robust API platform, NGX Exchange delivers its data to suit a wide range of users. NGX Exchange's proven expertise and timely service means that its partners are able to conduct their businesses confidently, thereby enabling sound investment decisions. NGX Exchange provides a range of real-time, end-of-day, reference and historical data products. The objective is to meet the diverse requirements of users who want to keep up to date with its market. NGX Exchange recognizes that the delivery mechanisms and platforms associated with its market data are essential to the transparency in the Nigerian capital market and will help in the growth of its ecosystem.

The NGX Exchange's real-time data service provides clients with a tick-by-tick live feed throughout the trading day. Data is delivered to clients via a connection to the NGX Exchange's X-Gen trading platform. X-Gen utilizes the widely adopted FIX standards to decrease the need for data integration efforts, thereby easing data transmission. NGX Exchange Real Time Data Feeds are built on the cutting edge X-Gen Order Routing technology, for quicker order matching and execution. As a result, users can be sure of reliable data when trading on the NGX Exchange. Built on a scalable platform, with 99.9% availability, the feed is also complemented with added value information such as corporate disclosures.

NGX Exchange Technology Services are designed to provide businesses the necessary tools and support they need to effectively position themselves at the forefront of trading technology while enjoying cost saving benefits that can be derived from shared infrastructure. NGX Exchange offers dedicated support during normal business hours as well as tailored services based on clients' business needs. Some of the technology services provided include: (i) X-Cloud which provides the opportunity for trading participants to locate their servers as close as possible to NGX Exchange mission critical Trading and Market Data engines (ii) NGX Exchange Testing Services to support the interface between client applications and NGX Exchange trading and information systems and (iii) Connectivity services, ranging from Virtual Private Networks to Internet-based options.

***iv. X-Academy***

X-Academy is a specialized learning centre that offers bespoke capital market business courses to equip business leadersband enable them to transform businesses for sustainable growth. Designed to provide education to individuals who wish to improve their understanding across various knowledge areas, X-Academy offers a wide range of courses geared towards bridging the knowledge gap of capital market professionals, investors and the general public, about how the capital market works. X-Academy promotes financial literacy and inclusion, and its training programmes build on NGX Exchange's track record of pushing the boundaries of financial education in Nigeria.

**NGX Regulation Limited**

NGX Regulation Limited ("NGX REGCO") is a wholly owned subsidiary of NGX Group and an independent regulatory services company. NGX REGCO is responsible for monitoring activities on the NGX to ensure institutions and their professionals comply with market regulations. Regulated by the SEC, NGX REGCO plays a critical role in promoting just and equitable principles of trade, encouraging free and open markets, and protecting investors.

NGX REGCO, is committed to making compliance easier by simplifying implementation, enabling automation and reducing total cost burden. Its main activities are:

i. ***Market Surveillance:***

NGX REGCO monitors all market activity on NGX Exchange to cultivate an open, competitive, transparent, and financially sound market. Leveraging its robust surveillance system, NGX REGCO can swiftly identify potential market abuse and infractions on NGX Exchange rules and securities laws. Furthermore, the entity analyses and adjudicates complaints where applicable.

ii. ***Compliance and Enforcement:***

NGX REGCO examines the activities of market participants – issuers, Trading License Holders and other stakeholders – to enforce rules and ensure compliance.

iii. ***Rule Making:***

NGX REGCO develops and enhances the market rules, practices and policies under which NGX Exchange participants operate to foster market transparency.

iv. ***Market Development:***

NGX REGCO works closely with market participants, regulatory bodies and international organisations to support global cooperation against market abuse, develop education initiatives, and promote rule enhancement.

v. ***Listing Analysis:***

NGX REGCO appraises all applications for new and supplementary listings of securities on NGX Exchange from body corporates, supranational bodies, government and its agencies.

**NGX Real Estate Limited**

NGX Real Estate Limited ("NGX RELCO") formerly Naira Properties Limited, is a wholly owned subsidiary of NGX Group, and was incorporated in the Federal Republic of Nigeria as a private limited company on June 29, 1974. NGX RELCO was established to acquire, lease, hire, or part exchange properties.

NGX RELCO's approach to managing every property is tailor made because the company recognises that it manages a variety of assets with unique needs. Private investors and institutional investors, property owners and developers can rely on NGX RELCO to manage their investments, nurture capital growth and maximise returns.

## 10 COMPETITIVE STRENGTHS

Below are the key strengths of Nigerian Exchange Group Plc:

**Clear Leadership in Africa's Largest Market**

A mentioned above, Nigeria is the largest economy in Africa by GDP. It is also highest populated with demographic dynamics that positions it well for significant growth.

Nigeria has the largest youth population (under the age of 30) in the continent and represent 50% of the total population. Financial inclusion has been on the rise reported as 63.2% in 2018, but with significant opportunity for increased penetration as about 40% of its population are without a bank account and cannot access formal savings vehicles. The country offers a large retail market that is yet to be fully tapped

Nigerian Exchange Group Plc is the foremost integrated market infrastructure in Africa. The Group services this economy and has taken a leadership role in driving capital formation for the Nigerian economy. As a key player in the continent's financial markets, NGX Group takes an active role in shaping the future of the markets through the Group's investment in business innovation and technology. Furthermore, the growing penetration of listed large cap stocks on NGX Exchange presents medium and long-term path to increased market capitalisation of NGX Exchange. The Group will also leverage other expansion opportunities to deepen its share of the capital market.

NGX Group continues to evolve in order to meet the needs of its valued customers and to achieve the highest level of competitiveness.

**Diversified Business Model Poised to Drive Attractive Returns**

According to Reuters, NGX Group is a multi-exchange business housing the second largest bourse (All Share Index) in Africa. Through its new business model, NGX Group is able to diversify its revenue streams by adding new subsidiaries and business lines that complement each other and support the market infrastructure value chain. The Group is also able to operate in new geographical markets, and enter new product markets such as derivatives, clearing and settlement, technology and market services businesses. This would ultimately drive improvement in service delivery at lower costs, while enabling seamless cross-border trading and settlement and maximising value creation for all stakeholders.

The Group's subsidiaries and associate companies generate revenues from transaction fees, licensing fees, listing fees, rental income, service charge, depository and clearing fees; translating to robust sources of dividend income. Through its treasury management, the Group is also able to earn interest income on investments.

**Strategic Partnerships**

Through mutually beneficial collaborations with all its stakeholders, NGX Group is able to support the development of a sustainable Nigerian capital market. Over the years, the Group has developed key strategic partnerships and currently belongs to over thirty international and domestic associations that promote its development and adoption of global best practices. For instance, NGX Group has continued to promote the advancement of African financial markets through its memberships in World Federation of Exchanges (WFE), International Organisation of Securities Commissions (IOSCO) and African Securities Exchanges Association (ASEA). The Group also championed the establishment of Association of Securities Exchanges of Nigeria (ASEN). The Association, which was incorporated in 2017 and currently has a membership of five (5) securities and commodities exchange in Nigeria, is focused on driving growth in the Nigerian capital market through knowledge-sharing, collaboration, capacity-building and advocacy.

Some of the benefits of these relationships include, but are not limited to, the following:

- Collaborations with leading financial institutions have facilitated in-depth capacity building programmes across all offering including the derivatives market;
- Access to global resources and talent for product and service innovation through international partnerships;
- Collaboration with regulators ensures efficient and streamlined approval process;
- Active participation at board, steering committee and sub-committee levels of major associations;
- Partnerships with institutions to drive listings and enhance investors' participation in the capital market;
- Facilitation of important initiatives such as: ASEA African Exchange Linkage Project (AELP), promotion of the domestic green bond market etc.

**Clearly Defined Expansion Plan and Spectrum of Growth Opportunities**

The Group's expansion plans include diversification, efficiencies and international expansion which are driven by the following:

- Strong listings pipeline demand
- Macro-economic recovery to boost secondary market trading activity
- Execution of an international expansion strategy and operation in new geographies coupled with new products to deliver diversification benefits
- Lower trading costs, seamless cross-border trading and settlement
- Maximised economies of scale and scope as well as increased accessibility and market reach
- Further strategic alliances and consolidations to pursue greater geographical collaborations, strategic partnerships, coupled with inorganic growth opportunities. The Group can partner with market operators and financial infrastructure players across the ecosystem. Given the strength of its infrastructure, NGX Group is able to provide securities exchange services to various markets.
- New business lines in the clearing and settlement, technology, and market services businesses
- Improved global trading facilities

Furthermore, significant earnings growth from underling operational changes and new audiences are expected from:

- Increased activity across product classes and service offerings from established competitive derivatives market and enhanced NGX Exchange's value proposition as a multi-asset securities exchange. NG Clearing is set to launch clearing and settlement of exchange-traded derivative products as Nigeria's premier Central Counterparty Clearing House (CCP).
- Increased market access as the Group embarks on a major drive to invigorate the retail market to enhance order flow through improved ease of access, effectively broadening Financial Literacy Programmes; and enhanced access to 'zero cost' financial information and amplified marketing to retail investors.
- Support of the growth of Nigeria's SMEs driven by access to capital markets and by providing bespoke market services/solutions to them
- Expansion of the scope and reach of X-Academy through partnerships, corporate collaborations and digitisation

- Deployment of innovative solutions based on emerging technologies, such as Blockchain
- Increase in the value and global visibility of the NGX brand

**Best-Practice Corporate Governance Framework**

Post demutualisation, NGX Group Plc has designed its group corporate governance structures in line with best practices. The Group's corporate governance framework is consistent with leading governance practices including corporate governance requirements of SEC Code of Corporate Governance, Nigerian Code of Corporate Governance 2018, ISA and CAMA 2020. This structure separates ownership and trading rights and allows the Group better independence. The NGX Group governance structures and manuals are based on core design principles that align with highest standards.

The Group's Board of Directors is responsible for alignment of the Group's strategy with the interests of its stakeholders. The Board committees are made up of experienced personnel and each is led by an independent director. The Executive Committee is responsible for the day-to-day activities and execution of the strategy; reporting to the Board, in line with international best practices

All operating subsidiaries have independent boards and management teams.

**Strong Management Team**

The Group has strong management teams with proven ability to execute at all levels of it new structure. These teams are supported by a strong governance framework that guides the activities of each entity within the group.

## 11 NIGERIAN EXCHANGE GROUP PLC'S BUSINESS STRATEGY

Having successfully demutualised the Exchange, NGX Group will actively forge ahead with its aspiration to become Africa's Preferred Exchange Hub.

NGX Group aspires to increase its regional impact by helping more companies unlock their growth potential, providing new, accessible opportunities for citizens to create durable wealth, and better supporting governments to achieve inclusive growth and sustainable development.

The Group aims to be a leading force in consumer experience by leveraging emerging technologies to create smart products and diversify services with a focus on market leadership and empowerment – NGX Group's focus on consumer experience will enhance product innovation birthing a wide range of globally competitive products and services.

NGX Group's goal is to build an integrated, multi-exchange business with diversified revenues through strategic entry into new businesses, expansion of current business lines, and the development of new product markets across Africa and beyond.

Given its current strategic investments and alliances with stakeholders across the ecosystem, NGX Group is well positioned to run with its growth aspirations while responding to changes in its operating environment and the entire global market landscape.

NGX Group has its key strategic focus along the following themes, all geared at leveraging organic and inorganic growth opportunities for expansion of its business across geographic boundaries in order to increase its global competitiveness.

**Expansion and growth opportunities**

NGX Group will continue to create and empower innovations aligned to the business, as well as explore opportunities to enhance the Group's credentials towards achieving its set goal of becoming Africa's preferred exchange hub.

The Group already has subsidiary companies in strategic sectors of the economy that enhance capital formation. An example is NGX REGCO, a company that promotes equitable principles of trade and sound business practices in the Nigerian capital market by strictly enforcing clients' listing and trading rules in accordance with global best practices. NGX RELCO with its operations ensures both private and institutional investors, property owners and developers can rely on it to manage their investments, nurture capital growth and maximise returns.

Over the past five (5) years, the proportion of domestic investors on NGX Exchange has increased significantly from an average of 55.1% to 72.2% in the past one year. The presence of such a strong local investors' base has provided a solid foundation for NGX Exchange business over time. NGX Exchange is one of the few exchanges that attract a wide range of investors that cut across frontier and emerging markets. The Group will continually make efforts to increase its service offerings, listings universe, and opportunities for capital formation.

NGX Group, with its current structure, is positioned to capture expansion opportunities and will continue to grow its bouquet of services along the capital market value chain.

**Scale and Consolidation:**

Significant focus on increasing profitability by:

- Refining existing business model

- Expansion into new business areas
- Competitive changes & technological innovation

A healthy capital market environment is important for Nigeria and by extension Africa's economic growth. NGX Group will continually contribute to economic growth by continuously refining its business model, while also increasing its profitability. There is also an intention to expand into new business areas to increase the Group's scale. The Group's consolidation goal is driven by technological and innovation and competitive changes.

**Diversification across the value chain:**

The Group's focus is on developing the business as a fully integrated market infrastructure service provider through both organic and inorganic growth across verticals in pre trade, trade, post trade, information and technology services to support enhanced customer experience and drive shareholder value.

**Enhancement of New Capabilities:**

Capability building has remained a high strategic priority for NGX Group. In the journey towards becoming Africa's Preferred Exchange Hub, NGX Group will carry on acquiring new technologies and capabilities with focus on knowledge transfer to develop and enhance internal capabilities.

**Differentiation into unrelated businesses:**

The Group will leverage growth opportunities to capture emerging opportunities in unrelated businesses while managing risk exposures.

## 12 PROFILE OF BOARD OF DIRECTORS

NGX Group is committed to the highest governance standards, recognising that it operates critical capital markets infrastructures. As a recently demutualised group, the NGX Group's Board of Directors is responsible for the alignment of our strategy with the interests of its stakeholders.

The Board is currently comprised of 10 (ten) Non-Executive Directors and 1 (one) Executive Director. The Board's activities are in compliance with relevant laws, codes of corporate governance, the Company's Articles of Association, and other governing documents. The directors are:.

- ***Otunba Abimbola Ogunbanjo - Chairman***

  Otunba Abimbola Ogunbanjo has been President of the National Council of The Nigerian Stock Exchange (The Exchange) since September 25, 2017 and became the Chairman of the Board of Directors of the Nigerian Exchange Group Plc upon demutualisation of The Exchange. He is the Managing Partner of the renowned, leading corporate law firm of Chris Ogunbanjo & Co (Solicitors). Otunba Ogunbanjo serves on the boards of several multinational corporations and non- profit organizations including Beta Glass Plc and the Advisory Board of the University of Buckingham Centre for Extractive Studies.

  He previously served on the Board of GTL Registrars Limited and Conoco Phillips Limited. Otunba Ogunbanjo is a member of the International Bar Association, Nigerian Bar Association, Institute of Directors, Institute of Petroleum (UK) and a registered capital market consultant with the Securities and Exchange Commission, Nigeria.

  Otunba Ogunbanjo holds B.A. (Hons) (Business Administration from American College of Switzerland (1985) and LL.B from University of Buckingham (1989). He has also obtained a Capital Markets Certificate from New York Institute of Finance (2015).

- ***Mr. Oscar N. Onyema, OON - Group Managing Director and Chief Executive Officer (GCEO)***

  Mr. Onyema is the Group Managing Director and Chief Executive Officer of Nigerian Exchange Group Plc. Prior to attaining this position, he was the CEO of The Nigerian Stock Exchange for 10 years. In his current role, he is the Chairman of the Group Executive Committee. He is also the Chairman of two associate companies: Central Securities Clearing System Plc (CSCS), the clearing, settlement and depository for the Nigerian capital market; and NG Clearing Limited, which is the premier Central Counter Party Clearing House (CCP) in Nigeria. He serves on several other boards and committees domestically and internationally including Pension Commission of Nigeria (PENCOM), London Stock Exchange Group (LSEG) Africa Advisory Group (LAAG), and chairs the Membership Committee of the World Federation of Exchanges.

  He was the President of African Securities Exchanges Association (ASEA) between 2014 and 2018. He has served as a Council member of Chartered Institute of Stockbrokers (CIS); Global Agenda Council member of World Economic Forum (WEF); and Board member of FMDQ OTC Plc (now FMDQ Securities Exchange Plc). Prior to relocating to Nigeria, he served as Senior Vice President and Chief Administrative Officer at American Stock Exchange (Amex). He also ran the NYSE Amex equity business after the merger of NYSE Euronext and Amex in 2008.

  Mr. Onyema is the proud awardee of the Nigerian national honour, Officer of the Order of the Niger (OON); Fellow of the Institute of Directors (IOD); Fellow of the Chartered Institute of Stockbrokers (CIS); Associate of Chartered Institute for Securities & Investment (CISI) in the UK; and Holder of FINRA Series 7, 24, and 63 in the USA. Forbes listed him as one of the ten most powerful men in Africa in 2015.

Mr. Onyema holds a B.Sc (Computer Engineering) (1991) from Obafemi Awolowo University, MBA (Finance and Investments) (1998) from Baruch College, New York. He also completed the Advanced Management Program (AMP) of Harvard Business School (2015).

- ***Dr. Umaru Kwairanga***

Dr. Kwairanga has 25 years cognate experience in the banking, pensions, investment, manufacturing and commercial sectors. He has served previously as a Council member of the Nigerian Stock Exchange and is currently a Council member of the Institute of Directors of Nigeria; and an active director on the boards of many quoted/listed and unquoted companies such as Jaiz Bank Plc, Tangerine Pensions Limited and LUR Insurance Limited. . He is currently the GMD/CEO of Finmal Finance Services Limited.

He is a Fellow of Chartered Institute of Stockbrokers, Fellow of Certified Pension Institute Nigeria (2005) and Fellow of Institute of Directors of Nigeria. He is Chairman - Commerce, Trade and Investment subcommittee of Gombe State transition Committee.

Dr. Kwairanga has a B.Sc. (Hons) Business Administration (1991) and MBA (1995) both from University of Maiduguri and M.Sc. Finance & Governance from Liverpool John Moores University (2007).

- ***Mrs. Fatimah Bintah Bello-Ismail***

Mrs. Bello-Ismail is the Managing Partner of Universal Chambers, a firm of Barristers, Solicitors and Notary Public. She previously worked at Kehinde Sofola & Co, and Continental Merchant Bank Plc. She currently serves on the Boards of Katsina State Investment & Properties Development Company Limited and is a former member of the Board of Directors of National Insurance Company of Nigeria. She is the Secretary of the International Cancer Centre Abuja.

She obtained her LLB from Ahmadu Bello University, Zaria (1984) and was called to the Nigerian Bar in 1984.

- ***Mr. Oluwole Adeosun***

Mr. Adeosun is the Managing Director/Chief Executive Officer of Chartwell Securities Limited. He was the Chief Executive Officer of Intercontinental Securities Limited (2000 to 2007).

He served as a pioneer member of the Governing Council of the Government promoted Abuja Securities Exchange (Now National Commodity Exchange) (2005 to 2007). He is an active participant in the affairs of the Association of Securities Dealing Houses of Nigeria and serve on its Legal and Market Development & Technical Committees. He was re-elected as Council Member of the Chartered Institute of Stockbrokers in April 2017 and currently serves as the Institute’s second Vice President. He serves on the Boards of Chartwell Securities Limited, Chartwell Bureau De Change Limited, Chartwell BDC (UK) Limited Chartwell Partners (Chartered Accountants), and Chartwell HUB (UK) Limited.

He holds a B.Sc (Hons) (Business Administration) from the University of Ilorin (1986) and MBA (Finance & Banking) from University of Lagos (1993). He qualified as a Chartered Accountant in May 1991. He attended the US Capital Markets program of the New York Institute of Finance (1999) and the Lagos Business School’s Chief Executives Program (2006). Mr. Adeosun is a Fellow of the Institute of Chartered Accountants of Nigeria, Chartered Institute of Bankers of Nigeria, Chartered Institute of Taxation of Nigeria, Chartered Institute of Stockbrokers, and the Institute of Directors. He is also a member of the Society for Corporate Governance, Nigeria.

- ***Mr. Chidi Agbapu***

  Mr. Agbapu is the Managing Director of Planet Capital Limited. He was the former Managing Director of Emerging Capital Limited. He serves on the Board of General Cotton Mill Onitsha, MTI Plc and MTI Ltd (Ghana). He is a past director of Central Securities and Clearing System Plc (CSCS) and Bendel Feeds & Flour Mills Plc. He is the Chairman of the Shareholders Audit Committee of Fidelity Bank Plc.

  He obtained a B.Sc. (Economics) from the University of Nigeria, Nsukka (1986) and a Masters in Banking & Finance from the University of Lagos. He completed the Advance Management Programme of the Lagos Business School.

- ***Mr. Patrick Ajayi***

  Mr. Ajayi is the Managing Director/CEO of WCM Capital Limited. He qualified as a Stock Broker in 2004 and worked with Support Services Limited (a stockbroking Firm) prior to joining Woodland Capital Markets Plc. in 2013. He serves on the Boards of Ned Phillips Capital Limited and WCM Capital Limited, WCM3 Investments Limited and Letshego Microfinance Bank. He is a Member of the Statutory Audit Committee, Central Securities Clearing Systems Plc.

  Mr. Ajayi holds a B.Sc. (Physics) from Obafemi Awolowo University (1995). He is an Associate member of Institute of Chartered Accountants of Nigeria, Chartered Institute of Stockbrokers, and the Commodities Brokers Association of Nigeria.

- ***Mr. Apollos Ikpobe***

  Mr. Ikpobe is currently the Chairman of Just Food Nigeria Limited. He was formerly a Deputy Managing Director at United Bank for Africa Plc (2015), Partner at Mazars, Coker & Co. (2013) and Executive Director at Zenith Bank Plc (2012). He was on the Board of Zenith Bank Sierra Leone, Zenith Pension Custodians Limited, Zenith Registrars Limited, Zenith General Insurance Limited and Zenith Securities Limited. He also occupied other positions in Zenith Bank Plc between 1992 and 2002. Prior to Zenith Bank, he worked at Insight Communications Limited, Ernst & Young and Spiroupolos, Adiele, Okpara & Company.

  He holds an Ordinary National Diploma (Accountancy) (1984) and Higher Level Diploma (Accountancy) (1987) both from Yaba College of Technology and a Masters in Banking & Finance from University of Lagos (2002). He is a Fellow, Institute of Chartered Accountants of Nigeria, Institute of Credit Administration of Nigeria, Chartered Institute of Taxation of Nigeria and Chartered Institute of Bankers of Nigeria.

- ***Professor Enase Okonedo***

  Professor Enase Okonedo, FCA, became the deputy vice-chancellor of Pan-Atlantic University in January 2021. Prior to that she was dean of Lagos Business School from July 2009 to December 2020. Trained as an accountant with a doctorate from the International School of Management (ISM), Paris and an MBA from IESE Business School, she has over 30 years' experience in the financial services and management education sectors. Before she was appointed Dean, Professor Okonedo was a full-time member of faculty at Lagos Business School where she held several leadership positions at various times. A seasoned educator and leading expert in problem-solving and decision-making in Africa, she has developed and taught courses in this area, as well as in corporate financial management.

  Professor Okonedo serves on several boards in the management education, banking and telecommunications sectors including the Global Business School Network (GBSN), UN PRME; and the academic advisory board of the Blatnavik School of Government, University of Oxford. She has also held leadership positions on the boards of AACSB International – the world's largest business education alliance as Secretary-Treasurer, as well as the Association of African Business Schools where she was Chairperson.

She is the President of AIFA Reading Society, which is committed to achieving sustainable education in Africa by promoting and supporting a reading culture.

- ***Mrs. Ojinika Olaghere***

Mrs. Olaghere is the Managing Consultant of Rickela Consulting Limited. She retired from Access Bank Nigeria Plc in June 2018 as Executive Director, Operations and Information Technology. Prior to her appointment as an Executive Director, she had served as General Manager, General Resource Management Group and General Manager, The Enterprise Support Group. Prior to joining Access Bank in 2007, Mrs. Olaghere worked with Ecobank Nigeria for 16 years, in the Operations Group before moving to Consumer Banking. She started her career as a translator at Tropical Farming Magazine and the Embassy of Guinea. In 1987, she joined Coopers & Lybrand (Chartered Accountants) (now PriceWaterhouseCoopers).

Mrs. Olaghere currently sits as a Non-Executive Director on the Boards of First Ally Management Limited and Coscharis Technologies. She is a Fellow of the Institute of Chartered Accountants of Nigeria.

She holds a Diploma in French and Literature from Université de Grenoble III, FRANCE (1983; and a B.A.(French) from University of Nigeria, Nsukka (1984). She has also attended courses at Harvard Business School, INSEAD, Massachusetts Institute of Technology, London Business School and Lagos Business School.

- ***Dr. Okechukwu Itanyi***

Dr. Itanyi has over 30 years' experience in the public and private sectors. He presently directs two investment and property development companies: Valuehouse Limited and Wata Resources Limited. He is a former Executive Commissioner (Stakeholders Management) at Nigerian Communication Commission (NCC) (2010 to 2015). He was elected as the Deputy Governor of Enugu State for two consecutive terms (May 1999 to May 2007). Prior to being Deputy Governor, he represented Igbo-Etiti East Constituency in Enugu State House of Assembly (1997).

He worked for Catenation Incorporated, a financial consulting company in Green Bay, Wisconsin, USA, before returning to Nigeria in 1988. Between 1988 and 1995, he worked for International Merchant Bank, Diamond Bank and Commercial Trust Bank. He has extensive experience in Treasury and Corporate Banking. He is a member of Nigerian Institute of Management (Chartered) and Fellow of the Nigerian Institute of Public Relations.

Dr. Itanyi holds a Doctor of Philosophy (PhD) in Business Management from University of Nigeria, Nsukka (2013). He also holds a Higher Diploma (Animal Health from University of Nigeria, Nsukka (1982) a B.Sc. (Agriculture) (1984), MBA from Ohio State University (1987).

## 13 PROFILE OF MANAGEMENT AND KEY STAFF OF NIGERIAN EXCHANGE GROUP PLC

All members of the Group's senior management and management teams have substantial breadth and depth of experience in various fields.

***GROUP EXECUTIVE COMMITTEE***

The following are the current members of the Group executive committee:

- ***Mr. Oscar N. Onyema, OON - Group Managing Director and Chief Executive Officer (GCEO)***

  Mr. Onyema is the Group Managing Director and Chief Executive Officer of Nigerian Exchange Group Plc. Prior to attaining this position, he was the CEO of The Nigerian Stock Exchange for 10 years and oversaw the significant transformation and growth experienced the company. In his current role, he is the Chairman of the Group Executive Committee. He is also the Chairman of two associate companies: Central Securities Clearing System Plc (CSCS), the clearing, settlement and depository for the Nigerian capital market; and NG Clearing Limited, which is the premier Central Counter Party Clearing House (CCP) in Nigeria. He serves on several other boards and committees domestically and internationally including Pension Commission of Nigeria (PENCOM), London Stock Exchange Group (LSEG) Africa Advisory Group (LAAG), and the Membership Committee of the World Federation of Exchanges.

  He was the President of African Securities Exchanges Association (ASEA) between 2014 and 2018. He has served as a Council member of Chartered Institute of Stockbrokers (CIS); Global Agenda Council member of World Economic Forum (WEF); and Board member of FMDQ OTC Plc (now FMDQ Securities Exchange Plc). Prior to relocating to Nigeria, he served as Senior Vice President and Chief Administrative Officer at American Stock Exchange (Amex). He also ran the NYSE Amex equity business after the merger of NYSE Euronext and Amex in 2008.

  Mr. Onyema is the proud awardee of the Nigerian national honour, Officer of the Order of the Niger (OON); Fellow of the Institute of Directors (IOD); Fellow of the Chartered Institute of Stockbrokers (CIS); Associate of Chartered Institute for Securities & Investment (CISI) in the UK; and Holder of FINRA Series 7, 24, and 63 in the USA. Forbes listed him as one of the ten most powerful men in Africa in 2015.

  Mr. Onyema holds a B.Sc (Computer Engineering) (1991) from Obafemi Awolowo University, MBA (Finance and Investments) (1998) from Baruch College, New York. He has also completed the Advanced Management Program (AMP) of Harvard Business School (2015).

- ***Temi Popoola, CFA (Chief Executive Officer, NGX Exchange)***

  Mr. Temi Popoola, CFA is the Chief Executive Officer, Nigerian Exchange (NGX Exchange) Ltd. He is a successful C-suite leader whose unique blend of business acumen, financial expertise, global market growth and operational insight has earned him a reputation built on verifiable career achievements.

  A Wall Street trained investment banker, Temi joined Nigerian Exchange Ltd. from Renaissance Capital (Rencap) where he was Managing Director and CEO for West Africa. Temi supported the continuous growth, profitability and success of the organization by providing strategic market insight and leadership. He led the transformation of Rencap in West Africa by diversifying the company's revenue streams into fixed income, derivatives, structured products, debt financing and wealth management. In addition to influencing change across the organization, he was responsible for overseeing a global workforce, expanding foreign investor capital opportunities into West Africa and introducing enduring business processes and strategic initiatives.

  Since his return to Nigeria in 2009, Temi has also worked with United Bank of Africa (UBA) as Head of Structured Products for Global markets and with CSL Stockbrokers Ltd. as Head of Sales and Trading. In both of these positions, he guided growth and advancement for investors across global markets, including South Africa, the UK, the Middle east and the US.

Temi began his career in London as a portfolio manager focused on African energy markets and worked for several years as a senior equity derivatives trader with Bank of America Securities in New York where he drove firm profitability by providing derivative solutions to US corporations and family offices.

Temi graduated with a First-Class degree in Chemical Engineering, (1998-2002) from the University of Lagos and holds a Masters degree from the Massachusetts Institute of Technology (MIT), 2004-2006). He is a Chartered financial analyst (CFA) and a Chartered stock-broker (CIS). He holds the Series 7 and 63 licensures.

- ***Ms. Tinuade Awe (Chief Executive Officer, NGX REGCO)***

Ms. Tinuade Awe is the Chief Executive Officer of NGX Regulation Limited. Prior to attaining this position, she was the Executive Director for Regulation at The Nigerian Stock Exchange. In that role, she was responsible for providing effective leadership to ensure that The Exchange carried out its regulatory activities in a legally compliant fashion, with transparency and integrity, due regard for the protection of investors and in a manner that mitigated systemic risk. Ms. Awe was a member of the Executive Committee of The Exchange from August 2012 to August 2020. Additionally, she served as Secretary to the Council of The Exchange from January 2011 to October 2015, Head of the Legal Department from 2010 to 2013 and General Counsel from October 2015 to December 2017.

Ms. Awe has an LL. B Degree from the Obafemi Awolowo University, Ile-Ife, (1987-1991) and LL.M Degrees from Harvard Law School, (1999-2000) and The London School of Economics and Political Science (LSE), (1993-1994). She is admitted to both the Nigerian and New York Bars. Her interests include education, travelling, African art, and gender and development.

- ***Mr. Gabriel Igbeka ( Acting Chief Executive Officer, NGX RelCo)***

Mr. Igbeka is the Acting Chief Executive Officer of NGX Real Estate (NGX RelCo) Limited. Prior to this role, he served in the Administration Department of The Nigerian Stock Exchange (NSE) for eight years where he was integral to the efficient running of the organisation's daily operations. He is an industry veteran with over 40 years' of experience spanning the financial services industry including the Central Bank of Nigeria, First Bank of Nigeria Plc, Standard Trust Bank Ltd, United Bank for Africa (UBA) Plc, Intercontinental Bank Plc/Access Bank Plc.

He has 18 years' cognate experience in Property/Facility Management and is a certified Project Manager. He holds a B.Sc in Economics from the University of Lagos, and an M.Sc in Banking and Finance from the University of Benin.

***MANAGEMENT***

In addition to its Group Managing Director/Chief Executive Officer, Oscar N. Onyema, OON, Exchange he NGX Group non-operating holding company is managed by a team that directly reports to the Group Chief Executive Officer:

- ***Mr. Cyril Eigbobo (Group Chief Financial Officer)***

  Cyril Eigbobo has over 25 years of progressive experience in management, finance, financial reporting, internal control, and risk management. This robust experience was acquired from holding senior management positions in diverse industries including manufacturing, service and financial services.

  He was project lead on the transformation of The Nigerian Stock Exchange from a not-for-profit organization to a more market-product focused, risk-managed and performance-driven organization through the process of demutualisation.

  Cyril Eigbobo holds a Bachelor of Science degree in Microbiology from University of Lagos (1989) and a Master of Business Administration from Warwick Business School, United Kingdom (2008). He is a Fellow of the Institute of Chartered Accountants of Nigeria and is certified in International Financial Reporting Standards (IFRS) by the Institute of Chartered Accountants of England and Wales. He is an alumnus of the prestigious Advanced Management Programme of the Lagos Business School.

- ***Mrs. Mojisola Adeola (Group Company Secretary and Head, Compliance)***

  Mrs. Adeola is the Group Company Secretary/Head, Compliance of NGX Group Plc. She is a Legal Practitioner and a Chartered Secretary with over 17 years of professional experience.

  She obtained her Bachelor of Laws (LL.B.) from the University of Lagos (2004) and a B.L from the Nigerian Law School (2005). She holds a Master of Laws (LL.M.) from the University of London (2015). She is a Chartered Secretary and a member of the Institute of Chartered Secretaries and Administrators (UK) (2010). She has completed the Senior Management Programme of the Lagos Business School (2020). She is also an Associate member of the Institute of Capital Markets Registrars (2020).

- ***Mr. Okon P. Onuntuei (AG. Group Chief Strategy Officer)***

  Mr. Okon P. Onuntuei is a seasoned financial services and strategic planning practitioner with experience in corporate strategy, corporate finance & accounting, derivatives structuring and investment banking. Okon has worked in leading Wall Street firms such as Citigroup and Bear Stearns/JPMorgan as an investment banker (NYC) focused on Debt Capital Markets and Derivative Optimization.

  In Nigeria, Okon has worked at Chapel Hill Denham (CHD), where he was part of the lead team that executed on the Central Bank of Nigeria's AMCON mandate to stabilize the financial system via banking M&A consolidation and recapitalization. Prior to CHD, during his tenure at Afrinvest West Africa, Okon worked on the execution team for Nigeria's largest M&A vis-à-vis the merger between Benue Cement Company and Dangote Cement Plc.

  Okon currently serves as the Acting Group Chief Strategy Officer of NGX Group Plc, where he plays a pivotal role in cultivating, implementing and continuously reassessing progress on the Group's growth strategy. Accordingly, he contributes meaningfully to the Group's mission critical initiatives, ensuring adherence to best-in-class strategy formulation and execution across the business.

  Okon is an alumnus of Florida A&M University (Tallahassee, Florida), (1998-2002) and holds a First Class degree in Finance and Economics (MBA, BSc. Econ.), (2002-2004). He is also a Kaplan-Norton Certified Balanced Score Card (BSC) Professional and holds various FINRA licenses.

- ***Mr. Bernard Ahanaonu (Group Internal Auditor)***

Mr. Bernard Ahanaonu is the Group Internal Auditor of NGX Group. He is a professional Accountant with over 22 years of experience in Accounting, Auditing, Budgeting/Control as well as Finance and Risk Management. Over the course of his career, he has been involved in critical process improvement projects that have delivered exceptional results in the financial industry.

Prior to attaining his current position, Mr. Ahanaonu worked in the Internal Audit, Finance, Risk and Compliance departments of The Nigerian Stock Exchange. He also worked in different Groups in both Oceanic Bank International Plc and International Trust Bank Plc before joining The Exchange in 2009. He served as a Zonal Finance Officer at the National Board for Community Banks.

Mr. Ahanaonu holds a Higher National Diploma (Accountancy) from Federal Polytechnic Bida (1990) and an MBA (Finance & Investment) from Ahmadu Bello University, Zaria.

He is a Fellow of the Institute of Chartered Accountants of Nigeria, an Associate Member of Chartered Institute of Taxation of Nigeria and Chartered Institute of Securities and Investment London. He is also a member of Institute of Internal Auditors.

## 14 RISK FACTORS

*The risk factors described below are not an exhaustive list or explanation of all risks which may impact the Company's financial condition and future prospects and should be used as guidance only. The factors listed under a single heading may not provide a comprehensive view of all risks relevant to the subject to which the heading relates. Additional risks and uncertainties relating to NGX Group that are not currently known to the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on NGX Group's business, financial condition, results of operations and prospects and, if any such risk should occur, shareholders could lose all or part of their investment. The risk factors described below are not ordered by reference to materiality or importance to NGX Group's business, financial condition, results of operations and prospects.*

*The information contained in this Listing Memorandum is based on current legislation and tax practice and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of shareholders' investments in the Company.*

Nigerian Exchange Group Plc (formerly The Nigerian Stock Exchange LTD/GTE) provides a wide range of services including listing and trading securities, licensing, market data solutions, ancillary technology, regulation, real estate, and more through its wholly-owned subsidiaries – NGX Exchange, NGX REGCO and NGX RELCO. The Group is also invested in financial infrastructure space with investments in NG Clearing Limited, Central Securities and Clearing System (CSCS), OTC platforms and fintech companies.

NGX Group holds investments in a platform for raising capital, facilitating the secondary market for trading securities and maintaining a seamless flow of market information. Hence, the following risks apply to NGX Group:

**Market risk (also known as systematic risk)**

This is the overall risk involved in capital market investments. It affects the performance of the entire market simultaneously and cannot be eliminated through diversification. This may arise due to changes in interest rates, exchange rates, geopolitical events or recession. Strong economic performance typically supports the growth of financial market activities. Crude oil price, for instance, is monitored by foreign investors to assess their investment appetite in the Nigerian market, given Nigeria's reliance on oil receipts to run the government and meet FX demand. Similarly, factors such as political instability, riots or other forms of civil disturbance or violence, religious conflicts, terrorism, social and religious tension; may have a material adverse effect on the Group's business, financial condition, results of subsidiaries' operations and prospects.

The market price of NGX Group's shares may increase or decrease abruptly at any point after admission. There could be a price fall in response to market perception of the Group and various other events, including but not limited to regulatory changes affecting the Subsidiaries' operations, variations in the Group's financial performance and the liquidity of the financial markets. Any of these factors, some of which will be outside of the Group's control, may impact the price and performance of NGX Group's shares.

**Regulatory risk**

NGX Group is duly incorporated and established under Nigerian law, which remains in effect as of the date of this Memorandum. No assurance can be given as to the impact of any possible judicial decision or change in Nigerian law or the official application or interpretation of Nigerian law after the date of this Memorandum. The Company is also registered as a Holding Company in the Nigerian Capital Market and its subsidiaries– NGX Exchange and NGX REGCO – are registered as self-regulatory organisations. Similarly, no assurance can be given as to the impact of and possible change in regulations set by governing bodies that oversee the capital markets. Any change in regulations can cause a ripple effect across an industry.

Regulations can increase the costs of operations, introduce legal and administrative hurdles, and sometimes even restrict a company from doing business.

**Business risk**

The environment the Group and its subsidiaries operate in is highly competitive, and therefore the Group and its subsidiaries will face significant competition from a number of competitors for the products and services that it offers. This competition with other market participants are in a variety of ways, including in relation to the: quality and speed of trade execution, functionality, data, risk and index services; ease of use and performance of trading systems, data distribution platforms, and analytics and risk management services; range of products and services offered to customers, including trading participants and listed companies, including through the development of new and enhanced propositions; adoption of technological advancements including meeting customer data needs in relation to cloud capabilities; etc. If the Group is unable to adapt to evolving customer demands or maintain its industry position given the intense competition, or is forced to reduce pricing, revenues and profit margins could decline. In addition, a decrease in customer demand for the Group's listing, trading, index, analytics and data or technology services could adversely impact other business segments, which may be seen by current and prospective customers as less valuable, any of which could have a material adverse effect on the Group, its cash flows, financial condition and results of operations.

**Information Security Risk**

The Group and the subsidiaries are subject to information security risks which can wreak havoc on a company's internet infrastructure, potentially sending domains and web-based services offline for hours at a time and breaking functionality for their users. This could adversely impact the Group's bottom line by reducing productivity, increasing the cost to curtail the attacks, or loss of customer's trust due to the leak of sensitive data. The Group through its subsidiaries will collect, store, use and transmit sensitive data, including the proprietary business information and personal data of its employees, partners, vendors, customers and third parties on its networks. Any malicious or accidental breach of data security could result in unintentional loss, disclosure of, or unauthorised access to, third-party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in damage to the Group's brands and reputation, costs to the Group to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory actions, investigations, sanctions, or litigation, and/or loss of confidence in its security measures, which could harm its ability to retain and attract customers. In addition, media or other reports of perceived security vulnerabilities to the Group's systems or those of its third-party suppliers, whether or not accurate, could adversely impact the Group's brand and reputation and materially adversely affect its business, financial condition and results of operations.

**Operational Risk**

NGX Group is well aware of operational risks that may exist within the Group and its subsidiaries. Operational Risk is "the direct or indirect risk of loss resulting from inadequate and/or failed internal processes, people, and systems or from external events". These risks may originate from the actions of the Group and its subsidiaries' staff, its processes and systems, activities of interested parties and events that have direct or indirect impact on the Group and its subsidiaries. While we have taken adequate measures to mitigate operational risks to be within our Board defined and approved risk appetite, we are still mindful of the changing dynamics of the business environment and have deployed appropriate tools and methodologies to effectively manage and respond to these risks as they may arise.

## 15 FINANCIAL INFORMATION

**NIGERIAN STOCK EXCHANGE -** STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 2016 TO 2020

| | Note | 31 December 2020 | 31 December 2019 Restated* | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|
| | | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 |
| **Revenue** | 9 | 3,769,352 | 4,954,435 | 4,822,617 | 5,872,096 | 2,644,385 |
| **Revenue** | | **3,769,352** | **4,954,435** | **4,822,617** | **5,872,096** | **2,644,385** |
| Other income | 10 | 2,249,881 | 2,828,923 | 2,848,871 | 2,431,200 | 1,813,470 |
| | | **6,019,233** | **7,783,358** | **7,671,488** | **8,303,296** | **4,457,855** |
| Impairment loss on assets | 11 | (60,354) | (63,990) | (50,364) | (49,574) | (156,412) |
| Personnel expenses | 12 | (3,240,385) | (3,694,465) | (3,066,896) | (2,866,324) | (2,655,548) |
| Depreciation | 22 | (474,386) | (385,566) | (374,916) | (328,612) | (344,009) |
| Amortization | 23 | (114,570) | (92,767) | (205,687) | (186,691) | (148,645) |
| Operating expenses | 13 | (2,223,495) | (2,778,345) | (2,471,201) | (2,324,029) | (1,956,013) |
| **Total Expenses** | | **(6,113,190)** | **(7,015,133)** | **(6,169,064)** | **(5,755,230)** | **(5,260,627)** |
| **Operating (deficit)/surplus** | | **(93,957)** | **768,225** | **1,502,424** | **2,584,066** | **(802,772)** |
| Share of profit of equity accounted investees net of income tax) | 10(iii) | 2,003,217 | 1,531,589 | 1,302,603 | 1,267,264 | 869,372 |
| **Operating Surplus before tax** | | **1,909,260** | **2,299,814** | **2,805,027** | **3,815,330** | **66,600** |
| Income tax expense | 14 | (70,266) | (41,766) | (101,583) | (23,536) | (39,148) |
| **Operating Surplus after tax** | | **1,838,994** | **2,258,048** | **2,703,444** | **3,791,794** | **27,452** |
| **Other comprehensive income:** | | | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | | | |
| Available for sale financial assets (net change in fair value) | | (12,627) | 84,554 | - | 19,517 | 12,073 |
| Equity-accounted investee -share of OCI | 30 | (12,627) | 84,554 | (19,344) | (41,452) | - |
| **Items that will never be reclassified to profit or loss** | | | | | | |
| Equity accounted investee – effect of dilution | | - | - | 89,062 | - | - |

**FINANCIAL INFORMATION**

| | | | | | | |
|---|---|---|---|---|---|---|
| Remeasurement of defined benefit liability | 27 | 4,767 | 9,710 | (29,190) | (27,679) | (5,950) |
| Equity investment at FVOCI - net change in fair value | 19(a)(iii) | 1,018,992 | 156,012 | 62,624 | - | - |
| Equity-accounted investee - share of OCI | 30(b) | 239 | - | - | - | - |
| **Other comprehensive income, net of tax** | | **1,011,370** | **250,276** | **103,152** | **(49,614)** | **6,123** |
| **Total comprehensive income for the year** | | **2,850,364** | **2,508,325** | **2,806,596** | **3,742,180** | **33,575** |

**The comparative information is restated on account of correction of prior year amount. See Note 36*

*The accompanying notes and the statement of significant accounting policies are an integral part of these consolidated financial statements*

FINANCIAL INFORMATION

**NIGERIAN STOCK EXCHANGE -** CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 31 DECEMBER 2016 TO 31 DECEMBER 2020

| | Note | 31 December 2020 | 31 December 2019 Restated* | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|
| | | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 15 | 6,988,063 | 4,416,040 | 2,810,873 | 3,566,350 | 1,618,691 |
| Trade and other receivables | 16 | 862,045 | 229,550 | 1,282,058 | 1,090,933 | 200,907 |
| Intercompany receivables | 17 | - | - | 291,787 | 221,682 | 734,166 |
| Prepayment | 18 | 152,032 | 301,827 | 7,688,773 | 6,134,672 | 6,166,241 |
| Investment securities | 19 | 2,768,959 | 7,133,863 | - | - | 1,144,400 |
| **Total current assets** | | **10,771,098** | **12,081,280** | **12,073,491** | **11,013,637** | **9,864,405** |
| Investment securities | 19 | 7,414,186 | 4,761,505 | 2,604,247 | 1,994,095 | 1,944,651 |
| Investment in associates | 20 | 12,425,595 | 10,689,986 | 1,144,400 | 1,144,400 | - |
| Investment in subsidiaries | 21 | - | - | 9,024,856 | 7,998,012 | 7,029,661 |
| Property and equipment | 22 | 4,253,760 | 4,391,352 | 3,914,072 | 4,026,520 | 3,667,187 |
| Intangible assets | 23 | 241,932 | 257,155 | 309,030 | 512,713 | 287,722 |
| **Total non-current assets** | | **24,335,474** | **20,099,998** | **16,996,605** | **15,675,740** | **12,929,221** |
| **Total assets** | | **35,106,572** | **32,181,278** | **29,070,096** | **26,689,377** | **22,793,626** |
| **LIABILITIES** | | | | | | |
| Other liabilities | 24 | 2,411,964 | 2,576,302 | 2,063,366 | 2,779,242 | 2,472,686 |
| Current tax liabilities | 25 | 89,095 | 46,286 | 171,225 | 145,400 | 285,657 |
| Lease Liabilities | 26 | 133,781 | 84,742 | - | - | 26,228 |
| Retirement benefit obligation | 27 | 38,484 | - | - | 26,651 | - |
| **Total current liabilities** | | **2,673,323** | **2,707,329** | **2,234,591** | **2,951,293** | **2,784,571** |
| Retirement benefit obligation | 27 | 544,582 | 477,034 | 368,344 | 195,064 | 187,589 |
| Provisions | 28 | 373,543 | 357,276 | 357,276 | 267,767 | 267,767 |
| Deferred tax liability | 29 | 238,882 | 213,761 | 192,332 | 144,753 | 165,379 |
| **Total Non-Current liabilities** | | **1,157,007** | **1,048,071** | **917,952** | **607,584** | **620,735** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total liabilities | | 3,830,330 | 3,755,400 | 3,152,543 | 3,558,877 | 3,405,306 |
| **EQUITY** | | | | | | |
| Accumulated funds | 30(a) | 29,886,848 | 28,047,854 | 25,917,553 | 23,130,500 | 19,388,320 |
| Other reserves | 30(b) | 1,389,394 | 378,024 | - | - | - |
| **Total equity** | | **31,276,242** | **28,425,878** | **25,917,553** | **23,130,500** | **19,388,320** |
| **Total equity and liabilities** | | **35,106,572** | **32,181,278** | **29,070,096** | **26,689,377** | **22,793,626** |

**The comparative information is restated on account of correction of prior year amount. See Note 36*

*The accompanying notes and the statement of significant accounting policies are an integral part of these consolidated financial statements*

FINANCIAL INFORMATION

**THE NIGERIAN STOCK EXCHANGE -** CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 TO 31 DECEMBER 2020

| | **Accumulated funds** | **Fair value reserve** | **Actuarial valuation reserve** | **Total Equity** |
|---|---|---|---|---|
| | **₦ '000** | **₦ '000** | **₦ '000** | **₦ '000** |
| **Balance at 1 January 2016** | 19,286,658 | 68,087 | | 19,354,745 |
| Surplus for the year | 27,452 | - | | 27,452 |
| Other comprehensive income (net of income tax) | - | 6,123 | | 6,123 |
| Total comprehensive income for the year | 27,452 | 6,123 | | 33,575 |
| **Balance at 31 December 2016** | 19,314,110 | 74,210 | | 19,388,320 |
| **Balance at 1 January 2017** | 19,314,110 | 80,160 | (5950) | 19,388,320 |
| Surplus for the year | 3,791,794 | - | - | 3,791,794 |
| Other comprehensive income (net of income tax) | - | 19,517 | (33,629) | (8,162) |
| Equity accounted investee – share of OCI | | (41,452) | - | (41,452) |
| Total Comprehensive Income for the year | 3,791,794 | (21,935) | (27,679) | 3,742,180 |
| **Balance at 31 December 2017** | **23,105,904** | **58,225** | **(33,629)** | **23,130,500** |
| **Balance at 1 January 2018, as previously reported** | **23,105,904** | **58,225** | **(33,629)** | **23,130,500** |
| Opening Balance | | | | |
| Adjustment on initial application of IFRS 9, net of tax | (19,543) | - | - | (19,543) |
| **Restated Balance at 1 January 2018** | **23,086,361** | **58,225** | **(33,629)** | **23,110,957** |
| Total Comprehensive Income for the year | | | | |
| Surplus for the year | 2,703,444 | | | 2,703,444 |
| Other comprehensive income (net of income tax) | - | 62,624 | (29,190) | 33,434 |
| Equity accounted investee – share of OCI | - | (19,344) | - | (19,344) |
| Dilution effect | - | 89,062 | - | 89,062 |
| **Total Comprehensive income for the year** | **2,703,444** | 132,342 | (29,190) | 2,806,596 |
| **Balance at 31 December 2018** | **25,789,805** | **190,567** | **(62,819)** | **25,917,553** |
| **Balance at 1 January 2019, as previously stated** | **25,789,805** | **190,567** | **(62,819)** | **25,917,553** |
| Opening Balance | | | | |
| Adjustment on initial application of IFRS 9, net of tax | **-** | **-** | **-** | **-** |
| **Restated Balance at 1 January 2018** | **25,789,805** | **190,567** | **(62,819)** | **25,917,553** |
| **Total comprehensive income for the year:** | | | | |
| Surplus for the year | 2,270,873 | - | - | 2,270,873 |

**FINANCIAL INFORMATION**

| | | | | |
|---|---|---|---|---|
| Other comprehensive income (net of income tax) | **-** | 156,012 | 9,710 | 165,722 |
| Equity accounted investee – share of OCI | - | 84,554 | | 84,554 |
| Total comprehensive income for the year | 2,270,873 | 240,566 | 9,710 | 2,521,149 |
| Balance at 31 December 2019 | 28,060,679 | 431,133 | (53,109) | 28,438,703 |
| **Restated balance as at 31 December 2019** | **28,047,854** | **431,133** | **(53,109)** | **28,425,878** |
| **Total comprehensive income for the year:** | | | | |
| Surplus for the year | 1,838,994 | - | - | 1,838,994 |
| Other comprehensive income (net of income tax) | **-** | 1,018,992 | **4,767** | 1,023,759 |
| Equity accounted investee – share of OCI | - | (12,627) | 239 | (12,389) |
| **Total comprehensive income for the year** | 1,838,994 | 1,006,364 | 5,006 | 2,850,364 |
| **Balance at 31 December 2020** | **29,886,848** | **1,437,497** | **(48,103)** | **31,276,242** |

**The accompanying notes and the statement of significant accounting policies are an integral part of these consolidated financial statements**

FINANCIAL INFORMATION

**THE NIGERIAN STOCK EXCHANGE -** CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 TO 31 DECEMBER 2020

| | Note | 31 December 2020 | 31 December 2019 Restated* | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|
| | | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 |
| **Cash flows from operating activities:** | | | | | | |
| Surplus after tax | | 1,838,994 | 2,258,048 | 2,703,444 | 3,791,794 | 27,452 |
| Income tax expense | 14 | 70,266 | 41,766 | 101,583 | 23,536 | 39,148 |
| Surplus before tax | | 1,909,260 | 2,299,814 | 2,805,027 | 3,815,330 | 66,600 |
| *Adjustments for:* | | | | | | |
| Depreciation of property and equipment | 22 | 474,386 | 385,566 | 374,916 | 328,612 | 344,009 |
| Amortization of intangible assets | 23 | 114,570 | 92,767 | 205,687 | 186,691 | 148,645 |
| Loss/(gain) on foreign exchange rates translation | 10 | - | - | 9,521 | 148,334 | 148,334 |
| Gain on disposal of property and equipment | 25 | (4,631) | (238,854) | (6,120) | (887) | (9,347) |
| Provisions no longer required | 34(xiii) | - | (98,249) | - | - | - |
| Net foreign exchange differences | 11 | (94,589) | (25) | - | - | - |
| Impairment loss on investment securities | 17 | 894 | 295 | 15 | 49,574 | 156,412 |
| Fair value changes on available for sale investments | 11 | - | - | (846) | (19,517) | (12,073) |
| Impairment charges on intercompany receivables | 13 | - | - | - | - | - |
| Impairment loss on trade and other receivables | 20(iii) | 59,123 | 63,215 | (62,624) | - | - |
| Interest on Lease liabilities | 27 | 5,721 | 3,451 | | - | - |
| Share of profit of equity accounted investee | 10 | (2,003,217) | (1,531,589) | (1,302,603) | (1,267,264) | (912,723) |
| Provision for retirement benefit obligations | 10 | 86,236 | 118,400 | 185,667 | 28,995 | 36,855 |
| Interest income | 22 | (1,258,388) | (1,732,102) | (1,600,813) | (1,568,072) | (927,510) |
| Dividend income | 23 | - | - | - | (28,606) | (35,499) |
| | | **(710,633)** | **(637,312)** | **659,023** | **1,673,189** | **(1,220,128)** |

FINANCIAL INFORMATION

| | | | | | | |
|---|---|---|---|---|---|---|
| Change in intercompany receivables | 34(i) | - | - | - | - | - |
| Change in trade and other receivables | 34(ii) | (691,618) | 989,293 | (225,444) | (939,601) | (146,591) |
| Change in prepayments | 34(iii) | 149,795 | (10,040) | (70,105) | 512,484 | (342,862) |
| Change in liabilities | 34(iv) | (187,606) | 512,936 | (627,433) | 307,725 | (22,053) |
| Change in retirement benefit obligations | 27 | 38,484 | - | - | - | - |
| | | **(1,401,578)** | **854,879** | **(263,960)** | **1,553,797** | **(1,731,634)** |
| Income tax paid | 25 | (2,335) | (47,028) | (28,179) | (163,793) | - |
| Retirement benefit obligation paid | 27 | (13,921) | - | (41,577) | (49,199) | - |
| **Net cash generated from operating activities** | | **(1,417,834)** | **807,851** | **(333,716)** | **1,340,805** | **(1,731,634)** |
| **Cash flows from investing activities:** | | | | | | |
| Interest received | 34(v) | 1,004,281 | 1,620,077 | 1,512,183 | 1,442,620 | 854,420 |
| Dividend received | 34(vi) | 1,255,218 | 1,050,049 | 953,476 | 257,461 | 318,777 |
| Sale/(Purchase) of investments - financial assets | 34(vii) | 3,066,555 | (1,334,605) | (2,012,963) | 155,014 | (431,939) |
| Acquisition of property and equipment | 22 | (349,060) | (846,479) | (300,513) | (710,346) | (135,204) |
| Proceeds from the sale of property and equipment | 34(viii) | 16,897 | (10,612) | 44,165 | 23,288 | 26,729 |
| Proceeds from the sale of investment property | 34(ix) | - | 1,377,500 | - | - | - |
| Additional investment in associates | 34(x) | (1,000,000) | (1,099,036) | - | (411,682) | (25,602) |
| Additional investment in subsidiaries | 34(xii) | - | - | (608,000) | - | - |
| Acquisition of intangible assets | 23 | (99,346) | (40,893) | (2,004) | - | - |
| **Net cash used in investing activities** | | **3,894,546** | **716,001** | **(413,657)** | **756,357** | **607,182** |
| **Cash flows from financing activities:** | | | | | | |
| Proceeds from Lease liabilities | 26 | 44,326 | 128,963 | - | - | - |
| Lease payment | 26 | (1,008) | (47,672) | - | - | - |
| **Net cash used in financing activities** | | **43,318** | **81,291** | **-** | **-** | **-** |

**FINANCIAL INFORMATION**

| | | | | | | |
|---|---|---|---|---|---|---|
| Net increase in cash and cash equivalents | | 2,520,030 | 1,605,143 | (747,372) | 2,097,162 | (1,124,452) |
| Cash and cash equivalents at beginning of year | | 4,416,040 | 2,810,873 | 3,566,349 | 1,618,691 | 2,868,444 |
| Effect of movements in exchange rates on cash held | | 51,993 | 25 | (8,104) | (149,503) | (125,301) |
| **Cash and cash equivalents at end of period/year** | **15** | **6,988,063** | **4,416,040** | **2,810,873** | **3,566,350** | **1,618,691** |

**The comparative information is restated on account of correction of prior year amount. See Note 36*

*The accompanying notes and the statement of significant accounting policies are an integral part of these consolidated financial statements*

**THE NIGERIAN STOCK EXCHANGE -** NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019 TO 31 DECEMBER 2020

## 1. Reporting entity

Nigerian Stock Exchange ("the Exchange'') is a Nigerian company that was incorporated in Nigeria as a private Company Limited by shares on 15 September 1960 as Lagos Stock Exchange and its name was changed to The Nigerian Stock Exchange on 15 December 1977. The Exchange was re-incorporated as a Company Limited by Guarantee on 18 December 1990 and gained full membership status of the World Federation of Exchanges (the “WFE”) on 28 December 2014. The address of the Exchange’s registered office is Stock Exchange House, 2/4 Customs Street, Lagos.

The consolidated and separate financial statements of the Exchange as at and for the year ended 31 December 2020 comprise the Exchange and its subsidiaries (together referred to as the “Group”) and the Group's interest in equity accounted investees. The principal activity of the Exchange is to provide facilities to the public for the purchase and sale of capital market securities.

## 2. Basis of accounting

### - Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Companies and Allied Matters Act of Nigeria (CAMA) 2020 and the Financial Reporting Council of Nigeria Act, 2011.

### - Basis of preparation

These financial statements have been prepared on an accrual basis and under historical cost convention except for the following items, which are measured on an alternative basis on each reporting date:
(a) Investments in debt instruments measured at amortised cost.
(b) Equity investments measured at fair value through other comprehensive income (FVOCI).
(c) The liability for defined benefit obligations recognised as the present value of the defined benefit obligation less the fair value of the plan assets.
(d) Trade and other receivables and other liabilities are measurement at amortised cost.
These consolidated financial statements are presented in naira, which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. The financial statements were authorised for issue by the Council on 10 March 2021. Details of the Group's and the Exchange's accounting policies are included in note 5 to the financial statements.

## 3. Use of judgments and estimates

In preparing these consolidated and separate financial statements, the Council members have made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Judgment refers to management's judgments applied to significant accounting policies that materially impact the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### i. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:
Note 31 Lease Term: whether the Group is reasonably certain to exercise extension options;
Note 19 Equity-accounted investees: whether the Group has significant influence over an investee; and

Note 20 Consolidation: whether the Group has de facto control over an investee.

**ii. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

| | |
|---|---|
| Note 7 (B) | FVOCI: Key assumptions underlying the determination of fair value of the investments; |
| Note 23(a) | Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs; |
| Note 21 | Investment in subsidiaries: Key assumptions underlying the recoverable amount; |
| Note 16 | Measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate; |
| Note 27 | Measurement of defined benefit obligations: key actuarial assumptions; and |
| Note 29 | Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised; and |
| Note 31 | Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. |

**- Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit and Risk Management Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

(i) Level 1: Quoted market price (unadjusted) in an active market for an identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in note 7.

**4. Changes in accounting policies**

A number of new standards are also effective from 1 January 2020, but they do not have a material effect on the Group’s financial statements. The Group adopted the Definition of a Business (Amendments to IFRS 3). The details of accounting policies are set out in Note 5.1(i).

## 5. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements except where otherwise stated.

### 5.1 Basis of consolidation

#### i. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated and separate financial statements incorporate the assets, liabilities, and performance results of: NSE Consult Limited, Coral Properties Limited, NGX Real Estate Limited, Nigerian Exchange Limited, NGX Regulation Limited and NSE Nominees Limited. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases. In the separate financial statements, investment in subsidiaries are carried at cost less impairment losses.

#### iii. Loss of control

When the Group loses control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### - Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The Group accounts for Interests in associates using the equity

method. They are initially recognised at cost, which include transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which the significant influence ceases.
In the separate financial statements for the Exchange, investment in associates are carried at cost.

- **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated and separate financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**vi. Non-controlling interest**

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transaction.

**5.2 Foreign currency translations**

Transactions in foreign currencies are translated into the functional currencies of the operations at the spot exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate as at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in statement of profit or loss and presented within operating expenses. However, foreign currency differences arising from the translation of the following item are recognised in OCI.

- an investment in equity security designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

**5.3 Financial instruments**

**i. Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**ii. Classification and subsequent measurement**

**Financial Assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets - Business model assessment**
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial Assets-Assessment whether contractual cash flows are solely payments of principal and interest*
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk

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associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable - rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

***Financial assets - Subsequent measurement and gains and losses:***

| | |
|---|---|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss. Included in financial assets at amortised cost are investments in debt securities, cash and cash equivalents, intercompany receivables and trade and other receivables. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represent recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Classified as FVOCI are the investment in equity securities. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

**Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. The principle of amortised cost is disclosed in note 5.3 (v)(b).

### iii. Derecognition of financial instruments

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non- cash assets transferred or liabilities assumed) is recognised in profit or loss.

### iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### v. The concept of fair value measurement and amortised cost

#### a) Fair value measurement

the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at the date. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 3 (iii))
When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If an asset or a liability measured at fair value has a bid price or an ask price, then the Group measures the assets at a bid price and liabilities at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**b) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

## 5.4 Impairment

### i. Non-derivative financial assets

***Financial instruments***

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and
- debt investments measured at FVOCI;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due or if the obligor has been delisted from the Exchange's trading platform for trade receivables in the case of listed companies.

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be between AAA and BBB per Fitch, Standard & Poor's, and Global Credit Rating.

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

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

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

*Credit-impaired financial assets*
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 365 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECL in the statement of financial position***
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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

**ii. Impairment of non-financial assets**
The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets grouped into cash-generating units (CGUs). A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

### 5.5 Property and equipment

#### i. Recognition and measurement

Items of property and equipment are initially recognised at cost, which includes capitalised borrowing costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment and each component is depreciated separately. Changes to an existing item of property or equipment are added to or deducted from the cost of the related asset and depreciated prospectively over the remaining useful life of the asset. Any gain or loss on disposal of an item of property and equipment is recognised in other income/other expenses in statement of profit or loss.

#### ii. Subsequent costs

The Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

#### iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives of items of property and equipment for the current and comparative year are as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the useful life of item or lease period |
| Building | 50 years |
| Computer equipment | 5 years |
| Office equipment | 5 years |
| Furniture, fixtures & fittings | 5 years |
| Motor vehicles | 5 years |

#### iv. De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## 5.6 Intangible assets

### i. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

### ii. Software

Purchased software is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the software can be measured reliably. Expenditure that forms part of the cost of software that meets the recognition criteria are capitalized as part of the software. The capitalized costs of internally developed software or separately acquired software include all costs directly attributable to developing and purchasing the software respectively and capitalized borrowing costs, and are amortised over its useful life.

Software is stated at capitalized cost less accumulated amortisation and impairment. Subsequent expenditure of software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### iii. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that is available for use since this most reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years. The amortisation methods, useful lives and residual values of intangible assets are reviewed at each financial year-end and adjusted if appropriate.

### iv. De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## 5.8 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## 5.9 Prepayments

Prepayments are stated at cost less amortised amounts. Prepayments are amortised to income by the straight-line method or according to performance of the underlying transaction.

## 5.10 Employee Benefits

### i. Short-term employee benefits

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

### ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as employee benefit expenses in profit or loss in the years in which the services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the year in which the employees render the service are discounted to their present value at the reporting date.
The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act of 2014. The employer contributes 10% while the employee contributes 8% of the qualifying employee's salary. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

### iii. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In determining the appropriate discount rate, the Group considers the market yields on Government Bonds of medium duration as compiled by the Debt Management Organisation (DMO). When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. With effect from 31 March 2011, the defined benefit scheme was terminated and final entitlements due to qualified staff was subsequently fully funded by the Group.

Effective 1 January 2015, long-term incentive scheme was established for certain eligible employees. The entitlement for the qualifying employee is based on the following threshold of their gross salary per annum or annual cash pay (Total Cash Compensation (TCC)) for every year of services, depending on the term completed.

* 15%-17.5% in the first five years of service (first term)

* 25%-35% in the next 5 years of services (second term)

On 1 August 2017, management established a long service recognition initiative which is designed to recognize, appreciate and celebrate the contributions of long tenured employees, at the attainment of milestone years during their work lifespan with the company. The policy became effective in 2018.

Table below presents the cash benefit attached to each milestone year.

| Milestone Years | Computation of cash benefit |
|---|---|
| 5 years | 5% of annual gross salary |
| 10 years | 9% of annual gross salary |
| 15 years | 13% of annual gross salary |
| 20 years | 17% of annual gross salary |
| 25 years | 21% of annual gross salary |
| 30 years | 25% of annual gross salary |
| 35 years | 30% of annual gross salary |

**iv. Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

## 5.11 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Executive Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Information relating to segment reporting is presented in Note 8 to the financial statements.

## 5.12 Contingencies

**i. Contingent asset**

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realization of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

**ii. Contingent liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

## 5.13 Revenue and other income

### i. Revenue

Revenue comprises listing fees, entrance fees, transaction fees and trading levies.
Revenue from fees and levies earned is recognised as related services are performed. Any upfront fees or payment for services that are rendered over a period of time are treated as unearned income and recognised over the required period. These are warehoused in deferred income account.

### ii. Other income

Other income are recognised as the related services are performed. Included in other income are dividend income, interest income, market data income etc.

#### *a) Dividend income*

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividend income from equity accounted investee is recognised as a component of other operating income.

#### *b) Interest Income*

Interest income is recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income presented in the income statement includes interest on financial assets at amortised cost on an effective interest basis. Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

#### *c) Rental Income*

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## 5.14 Income Tax

Tax expense comprises current tax (Company Income Tax, Tertiary Education Tax, National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.
The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Finance Act 2019 became effective on 13 January 2020 and introduced significant changes to some sections of the Companies Income Tax
Act (CIT). The Company has applied the CIT related provisions of the Finance Act in these financial statements.

***i. Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.
The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)
- Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

***ii. Minimum Tax***

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.
Minimum tax is determined based on the sum of:
- 0.5% of gross turnover of the company, less franked investment income.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised

***iii. Deferred Tax***

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date to cover or settle the carrying amount of its asset and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

**5.16 Leases**

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

**i. The Group as a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability are made up of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

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

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leased office space for its branch operations. The Group recognises the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

**The Group as a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. The Group also determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'revenue'.

Generally, the Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as the 'rental income' (see Note 9).

**5.17 Equity and reserves**

**(i) Accumulated funds**

Accumulated funds are the carried forward recognized income net of expenses plus current period surplus.

**(ii) Other reserves**

Other reserves comprises of fair value gain or loss on investments carried at FVOCI and actuarial gains or loss on retirement benefit obligation.

**5.18 New Standards, amendments and Interpretations to existing Standards that are not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2020 and early application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The group do not expect to have any material impact upon initial application. The standards and amendments include:

- COVID-19 Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Amendments to IAS 1)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

**6. Financial risk management**

The Group is exposed to the following risks arising from financial instruments:

Credit risk - (see 6 (ii) below)

Liquidity risk - (see 6 (iii) below)

Market risk - (see 6 (iv) below)

**(i) Risk management framework**

Fundamental to the business activities and growth of The Exchange is a strong risk management practice which is at the core of achieving The Exchange's Strategic Objectives. The Council has overall responsibility for the establishment and oversight of the Group's risk management framework. The Council has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to Council on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and risk informed environment in which all employees have a good understanding of inherent risk specific to their department.

The Group's Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by the Internal Audit Department, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

The outbreak of the COVID-19 pandemic created a challenging environment for the business community. From the announcement of the index case in Nigeria on February 25, 2020; several businesses have been impacted negatively by the resulting impact of the virus and measures taken to contain its spread. In a bid to mitigate the resulting impact, the Group established a crisis committee to respond to the risks associated with COVID-19. The committee activated the Group's business continuity plan and has continued to oversee the plan which has sustained business activities while prioritising the health and the wellbeing of the people in its ecosystem. While this pandemic has resulted to an unanticipated human and economic crisis, the group continue to operate during the normal trading days and hours which affirms the resilience of its market.

**(ii) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The Group has exposure to credit risk as a result of receivables due mainly from market operators such as listed entities and brokers. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in statement of profit or loss were as follows.

| *In thousands of naira* | **Notes** | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|---|
| Impairment loss on trade receivables and other assets | 11(a) | 59,123 | 63,215 | 59,108 | 63,215 |
| Impairment loss on debt securities at amortised cost | 11(a) | 894 | 295 | 903 | 295 |
| Intercompany receivable | 11(a) | - | - | (25,568) | 18,831 |
| Impairment loss on cash & cash equivalents | 11(a) | 337 | 481 | - | 481 |
| | | 60,354 | 63,990 | 34,443 | 82,821 |

As at 31st December 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

| *In thousands of naira* | **Notes** | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|---|
| Listed Entities | 16 | 509,599 | 627,046 | 509,599 | 627,046 |
| Brokers | 16 | 107,976 | 125,219 | 107,976 | 125,219 |
| Others | 16 | 80,563 | 19,248 | 66,360 | 5,492 |
| | | **698,138** | **771,512** | **683,935** | **757,757** |

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information.

The Group limits its exposure to credit risk from trade receivables by establishing immediate payment on all contracts with customers. In addition, the Risk Management Committee reviews the memorandum of debts owed to The Exchange by dealing and ordinary members for possible recovery actions. The Group, having carefully considered the creditworthiness of its customers, had no reason to grant credit terms as a direct result of the pandemic. However, the Group is monitoring the economic environment in response to the COVID-19 pandemic and its impact on its customers.

The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

**Expected credit loss assessment for customers as at 31 December 2020**

The Group applies the simplified approach in calculating ECLs which recognises a loss allowance based on lifetime ECLs at each reporting date. The Group uses a provision matrix to calculate ECLs for trade and other receivables. The historical loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The assessment of the correlation between historical observed default rates and economic condition is a significant estimate to determine the economic variables that affect the ability of the customers to settle the receivables. A regression model was built to explain and predict the impact of macro-economic indicators on loss rates. The model regressed historical loss rate on a list of candidate macro-economic indicators. These indicators are central bank base rates, inflation rates, exchange rates and foreign reserves. The most predictive variables that were selected in the regression model (the most predictive indicators) were determined. The best-estimate, optimistic and downturn scalars of predicted target variables were determined. In order to account for differences in economic conditions in the data, the scalar denominator was adjusted to incorporate forward looking information. This process results in a forward-looking best-estimate, optimistic and downturn loss rate used to estimate the ECL.

The following table provides information about the Group and Exchange's exposure to credit risk and ECLs for trade and other receivables and contract assets from individual customers as at 31 December 2020.

| **31 December 2020** | | **Group** | | | **Exchange** | |
|---|---|---|---|---|---|---|
| **In thousands of naira** | **Weighted-average loss rate** | **Gross carrying amount** | **ECL allowance** | **Weighted-average loss rate** | **Gross carrying amount** | **ECL allowance** |
| Trade receivables | 16.2% | 698,138 | 629,674 | 16.2% | 683,935 | 629,674 |
| Other receivables | 16.2% | 2,336,509 | 1,542,928 | 16.2% | 1,784,470 | 991,130 |
| Intercompany receivables | - | - | - | 31% | 1,704,128 | 975,694 |
| | | 3,034,647 | 2,172,602 | 16.2% | 4,172,532 | 2,596,498 |

**Debt securities**

The Group limits its exposure to credit risk by investing in liquid debt securities with strong ratings. The Group principally invest in bonds issued by the Federal Government of Nigeria (FGN), treasury bill, investment grade corporate bonds and fixed deposit with banks.

The Group monitors changes in credit risk by tracking published credit ratings agencies (Augusto, GCR and S&P). To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, together with available press and regulatory information about issuers.

12-month probabilities of default are based on historical data supplied by S&P for each credit rating. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 95%. The following table presents the credit quality of the Group's exposure to credit risk for debt securities measured at amortised cost at the reporting date.

**Credit Rating**

| *31 December 2020* | Group | | Exchange | |
|---|---|---|---|---|
| | **2020** | **ECL allowance** | **2020** | **ECL allowance** |
| **Corporate Securities** BBB-AAA | 1,044,466 | 470 | 1,044,466 | 470 |
| **Government securities** BBB-AAA | 6,758,460 | 87 | 6,758,460 | 87 |
| B | 906,083 | 692 | 906,083 | 692 |
| Total | 8,709,009 | 1,249 | 8,709,009 | 1,249 |

The Government securities rated B relates to bonds issued by the Federal Government of Nigeria in foreign currency which currently has a foreign long-term issuer credit rating of B (S&P). The ECL on assets are 12-month ECL. The Group has no collateral in respect of these investments.

**Cash and cash equivalents**

The Group held cash and cash equivalents of N6,985,477,809.35 at 31 December 2020 (2019: N4,418,161,417.20). The cash and cash equivalents are held with local banks which are rated between AAA and BBB per Fitch, Standard & Poor's, and Global Credit Rating.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. The amount of impairment allowance at 31 December 2020 is N2,504,450 (2019: N2,121,434).

The following table shows the total exposure to credit risk as at year end.

| *In thousands of naira* | **Notes** | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|---|
| Investment in debt securities | 19 | 8,707,760 | 11,438,974 | 8,707,760 | 11,249,304 |
| Trade and other receivables | 16 | 862,045 | 229,550 | 847,600 | 200,383 |
| Intercompany receivables | 17 | - | - | 728,434 | 868,671 |
| Cash and cash equivalents | 15 | 6,988,063 | 4,416,040 | 5,562,994 | 4,307,178 |
| | | 16,557,866 | 16,084,564 | 15,846,789 | 16,625,536 |

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### (iii) Liquidity risk

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

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. The Group also prepares weekly cash flow reports, analysing its liquidity position. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities and commitments.
The group has taken the following mitigating actions to respond to possible future liquidity constraints arising from the COVID-19 pandemic,

reducing non-essential capital expenditure and deferring or cancelling discretionary spend; and

freezing non-essential recruitment;

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The ratio of investments to outflows was 4.4 at 31 December 2020 (2019: 5.9). The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. The following are the remaining contractual maturities of financial assets and liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and excludes the impact of any netting agreement.31 December 2020

| **Maturity Analysis- Group** | Contractual Cash Flows | | | | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **30 days or Less** | **31 - 60 days** | **61- 90 days** | **91 days or more** | **2020 Total** | **Carrying amount** |
| *Financial assets* | | | | | | |
| Trade and other receivables | - | - | - | 3,034,647 | 3,034,647 | 862,045 |
| Investment securities | 218,575 | 921,800 | 428,167 | 10,366,335 | 11,934,876 | 10,183,145 |
| Cash and cash equivalents | 6,990,567 | - | - | - | 6,990,567 | 6,988,063 |
| **Total** | 7,209,142 | 921,800 | 428,167 | 13,400,982 | 21,960,091 | 18,033,252 |
| *Financial liabilities* | | | | | | |
| Other liabilities | - | - | - | 2,084,524 | 2,084,524 | 2,084,524 |
| **Total** | - | - | - | 2,084,524 | 2,084,524 | 2,084,524 |

| **Maturity Analysis- Group** | **Contractual Cash Flows** | | | | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **30 days or Less** | **31 - 60 days** | **61- 90 days** | **91 days or more** | **2020 Total** | **Carrying amount** |
| *Financial assets* | | | | | | |
| Intercompany receivable | - | - | - | 1,704,128 | 1,704,128 | 728,434 |
| Trade and other receivables | - | - | - | 3,034,647 | 3,034,647 | 862,045 |
| Investment securities | 218,575 | 921,800 | 428,167 | 8,890,949 | 10,459,490 | 8,707,760 |
| Cash and cash equivalents | 5,565,116 | - | - | - | 5,565,116 | 5,562,994 |
| **Total** | 5,783,691 | 921,800 | 428,167 | 13,629,724 | 20,763,382 | 15,861,232 |
| *Financial liabilities* | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other liabilities* | - | - | - | 2,061,306 | 2,061,306 | 2,061,306 |
| **Total** | - | - | - | 2,061,306 | 2,061,306 | 2,061,306 |

*** Excluded from other liabilities are deferred income and statutory deduction such as VAT and WHT payable.**

31 December 2019

| **Maturity Analysis- Group** | | | **Contractual Cash Flows** | | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **30 days or Less** | **31 - 60 days** | **61- 90 days** | **91 days or more** | **2020 Total** | **Carrying amount** |
| *Financial assets* | | | | | | |
| Trade and other receivables | - | - | - | 2,413,884 | 2,413,884 | 229,550 |
| Investment securities | - | - | - | 11,895,714 | 11,895,714 | 11,895,368 |
| Cash and Cash equivalents | 3,369,558 | 990,254 | 58,349 | - | 4,418,161 | 4,416,040 |
| **Total** | 3,369,558 | 990,254 | 58,349 | 14,309,599 | 18,727,760 | 16,540,958 |
| *Financial liabilities* | | | | | | |
| Other liabilities | - | - | - | 2,284,336 | 2,284,336 | 2,284,336 |
| **Total** | - | - | - | 2,284,336 | 2,284,336 | 2,284,336 |

| **Maturity Analysis – The Exchange** | | | Contractual Cash Flows | | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **30 days or Less** | **31 - 60 days** | **61-90 days** | **91 days or more** | **2020 Total** | **Carrying amount** |
| *Financial assets* | | | | | | |
| Intercompany receivable | - | - | - | 2,413,884 | 2,413,884 | 229,550 |
| Trade and other receivables | - | - | - | 11,895,714 | 11,895,714 | 11,895,368 |
| Investment securities | | | | | | |
| Cash and cash equivalents | 3,314,106 | 990,254 | 4,940 | - | 4,309,300 | 4,307,178 |
| **Total** | 3,314,106 | 990,254 | 4,940 | 15,533,469 | 19,842,769 | 16,654,703 |
| *Financial liabilities* | | | | | | |
| Other liabilities* | - | - | - | 2,278,573 | 2,278,573 | 2,278,573 |
| **Total** | - | - | - | 2,278,573 | 2,278,573 | 2,278,573 |

*** Excluded from other liabilities are deferred income and statutory deductions such as VAT and WHT payable.**

### (iv) 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 Group'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 Group uses a range of tools such as sensitivity analysis, to manage its exposure to market risk.

### (a) Currency Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the Group's functional currency. The functional currency of the Group is Nigerian Naira and the currency in which these transactions is primarily denominated is US Dollars.

At 31 December 2020, the Group was exposed to currency risk primarily as a result of its exposures which stood at $3,178,964.07 in debt securities and bank balances.

The following significant exchange rates applied during the year

| | Average Rate | | Reporting Date Spot Rate | | Amount | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| USD | 382 | 362 | 400 | 365 | 1,272,634,688 | 868,742,260 |

**Sensitivity analysis – Currency Risk**

A reasonably possible strengthening (weakening) of the US Dollar against the Nigerian Naira as at 31 December 2020 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amount shown below. This analysis assumed that all other variables remain constant and ignore any impact of forecast sales and purchases.

| | Operating Surplus | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| *Effects in thousands of Naira* | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** |
| USD (5%) | 63,632 | (63,632) | 43,437 | (43,437) |

**(b) Equity Price Risk**

This risk arises from equity price changes caused by equity investment securities. At 31 December 2020, the Group was exposed to equity investment risk as a result of its exposures which stood at N1,306,393,717 (2019: N456,393,000) in financial asset at fair value through other comprehensive income (FVOCI). The Group's equity investments include both quoted and unquoted securities. Please refer to Note 7 for the fair value and sensitivity analysis for equity price risk.

**(c) Interest rate risk**

The Group adopts a policy of ensuring that significant percentage of investable funds are invested into fixed rate financial assets (treasury bills and federal government bonds) in line with its investment policy. The Group is exposed to interest rate shocks even though most of its investments are on fixed rate to maturity investment, however the Group could still be exposed to interest risk if rate increased higher than the fixed rate. Other areas the Group could be exposed to interest risk is the opportunity cost of market movement.

**Sensitivity analysis – Interest rate risk**
**Group**

| 31 December 2020 | | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | | | **Interest rate shock** | | |
| | Carrying value | 1% | 2% | -1% | -2% |
| Cash and cash equivalent | 2,976,850 | 29,769 | 59,537 | (29,769) | (59,537) |
| Investment securities | 8,707,760 | 87,078 | 174,155 | (87,078) | (174,155) |
| | | 116,847 | 233,692 | (116,846) | (233,692) |
| 31 December 2019 | | | | | |
| *In thousands of Naira* | | | **Interest rate shock** | | |
| | Carrying value | 1% | 2% | -1% | -2% |
| Cash and cash equivalent | 2,654,660 | 26,547 | 53,093 | (26,547) | (53,093) |
| Investment securities | 11,438,974 | 114,390 | 228,779 | (114,390) | (228,779) |

| | | | | | |
|---|---|---|---|---|---|
| | | 140,937 | 281,873 | (140,936) | (281,873) |

**Exchange**

31 December 2020

| *In thousands of Naira* | | Interest rate shock | | | |
|---|---|---|---|---|---|
| | Carrying value | 1% | 2% | -1% | -2% |
| Cash and cash equivalent | 2,876,432 | 28,764 | 57,529 | (28,764) | (57,529) |
| Investment securities | 8,707,760 | 87,078 | 174,155 | (87,078) | (174,155) |
| | | 115,843 | 231,684 | (115,843) | (231,684) |

31 December 2019

| *In thousands of Naira* | | Interest rate shock | | | |
|---|---|---|---|---|---|
| | Carrying value | 1% | 2% | -1% | -2% |
| Cash and cash equivalent | 2,601,251 | 26,013 | 52,025 | (26,013) | (52,025) |
| Investment securities | 11,249,304 | 112,493 | 224,986 | (112,493) | (224,986) |
| | | 138,507 | 277,011 | (138,507) | (277,011) |

## 7. Financial instrument - Fair value measurement

### (a) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| (i) The Group | | | | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| ***31 December 2020*** *In thousands of naira* | **Financial assets measured at FVOCI** | **Financial assets measured at amortised cost** | **Financial liabilities measured at amortised cost** | **Total Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets measured at fair value** | | | | | | | | |
| Investment in Equities | 1,475,386 | - | - | 1,475,386 | 168,992 | - | 1,306,394 | 1,475,386 |
| | 1,475,386 | - | - | 1,475,386 | 168,992 | - | 1,306,394 | 1,475,386 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Treasury bills | - | 794,023 | - | 794,023 | 601,176 | - | - | 601,176 |
| Bonds | - | 7,160,789 | - | 7,160,789 | 6,890,837 | - | - | 6,890,837 |
| Commercial Paper | - | 754,197 | - | 754,197 | 740,907 | - | - | 740,907 |
| Trade and other receivables | - | 862,045 | - | 862,045 | | | | |
| Cash and cash equivalent | - | 6,988,063 | - | 6,988,063 | | | | |
| | - | **16,559,117** | - | **16,559,117** | **8,232,919** | - | - | **8,232,919** |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Other liabilities* | - | - | 2,084,524 | 2,084,524 | | | | |
| | - | - | **2,084,524** | **2,084,524** | - | - | - | - |

**(ii) The Exchange**

| ***31 December 2020*** *In thousands of naira* | **Financial assets measured at FVOCI** | **Financial assets measured at amortised cost** | **Financial liabilities measured at amortised cost** | **Total Carrying Amount** | **Fair Value** Level 1 | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | | | | |
| Treasury bills | - | 794,023 | - | 794,023 | 601,176 | - | - | 601,176 |
| Bonds | - | 7,160,789 | - | 7,160,789 | 6,890,837 | - | - | 6,890,837 |
| Commercial Paper | - | 754,197 | - | 754,197 | 740,907 | - | - | 740,907 |
| Trade and other receivables | - | 862,045 | - | 862,045 | | | | |
| Cash and cash equivalent | - | 6,988,063 | - | 6,988,063 | | | | |
| | - | **16,559,117** | - | **16,559,117** | **8,232,919** | - | - | **8,232,919** |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Other liabilities* | - | - | 2,061,306 | 2,061,306 | | | | |
| | - | - | **2,061,306** | **2,061,306** | - | - | - | - |

*** Excluded from other liabilities are deferred income and statutory deduction such as VAT and WHT payable.**

(iii) The Group

| *31 December 2019*<br>*In thousands of naira* | Financial assets measured at FVOCI | Financial assets measured at amortised cost | Financial liabilities measured at amortised cost | Total Carrying Amount | Fair Value<br>Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | |
| Investment in Equities | 456,394 | - | - | 456,394 | 168,992 | - | 287,402 | 456,394 |
| | 456,394 | **-** | **-** | **456,394** | **168,991** | **-** | **287,402** | **456,394** |
| **Financial assets not measured at fair value** | | | | | | | | |
| Treasury bills | - | 6,707,344 | - | 6,707,344 | 6,885,075 | - | - | 6,885,075 |
| Bonds | - | 4,305,457 | - | 4,305,457 | 4,005,523 | - | - | 4,005,523 |
| Commercial Paper | - | 426,519 | - | 426,519 | 423,468 | - | - | 423,468 |
| Trade and other receivables | - | 229,550 | - | 229,550 | | | | |
| Cash and cash equivalent | - | 4,416,040 | - | 4,416,040 | | | | |
| | - | 16,084,911 | - | 16,084,911 | 6,885,075 | - | - | 6,885,075 |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Other liabilities* | - | - | 2,284,336 | 2,284,336 | | | | |
| | - | - | **2,284,336** | **2,284,336** | - | - | - | - |

**(iv) The Exchange**

| *31 December 2019* *In thousands of naira* | Financial assets measured at FVOCI | Financial assets measured at amortised cost | Financial liabilities measured at amortised cost | Total Carrying Amount | Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | | | | |
| Treasury bills | - | 6,517,675 | - | 6,517,675 | 6,885,075 | - | - | 6,885,075 |
| Bonds | - | 4,305,457 | - | 4,305,457 | 4,005,523 | - | - | 4,005,523 |
| Commercial Paper | - | 426,519 | - | 426,519 | 423,468 | - | - | 423,468 |
| Trade and other receivables | - | 200,383 | - | 200,383 | | | | |
| Cash and cash equivalent | - | 4,307,178 | - | 4,307,178 | | | | |
| | - | 15,757,211 | - | **15,757,211** | **11,314,066** | - | - | **11,314,066** |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Other liabilities* | - | - | 2,278,573 | 2,278,573 | | | | |
| | - | - | **2,278,573** | **2,278,573** | - | - | - | - |

* **Excluded from other liabilities are deferred income and statutory deduction such as VAT and WHT payable.**

**b) Determination of fair value**

The determination of fair value for each class of financial instrument was based on the particular characteristics of the instruments. The method and assumptions applied enumerated below.

***(i) Cash and cash equivalents***

The estimated fair value of fixed interest placement with banks is based on the discounted cashflow technique using prevailing money market interest rate.

***(ii) Trade, other receivables, and other liabilities***

The estimated fair value of receivables and other liabilities with no stated maturity is the amount repayable or received on demand.

The carrying amount of other liabilities and other receivables do not attract interest rate and are repayable within six months, hence the impact of discounting is insignificant. Thus the amount payable or receivable on demand is a reasonable approximation of their fair values.

## 7) Financial instrument - Fair value measurement (cont'd)
### Measurement of fair values

**iii. Bonds, Treasury bills and other investments**

The Group has investments in government and corporate debt securities. FGN Bonds and Treasury bills represent debt securities of the Federal Government of Nigeria issued by the Debt Management Office (DMO) and Central Bank of Nigeria (CBN) respectively. The estimated fair value of treasury bills, commercial papers and bonds at amortized cost is determined with reference to quoted prices (unadjusted) in active markets for identical assets.

**iv. Quoted equity investments**

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active market for identical instruments. The company has quoted equity investment in NASD PLC valued at N168,992,883 (2019: N168,992,883) at a share price of N3.50 (2019: N3.50).

**v. Unquoted equity investments**

The Group has investment in FMDQ OTC PLC of which there is no available market price as at 31 December 2020. In accordance with IFRS 13 fair value measurement, which outlines three approaches for valuing unquoted equity instruments; market approach, the income approach and the cost approach. The Group estimated the fair value of its investment in FMDQ at the end of the financial year using the market approach.

Level 3 fair values of investments have been generally derived using the adjusted fair value comparison approach. Quoted price per earning or price per book value, enterprise value to EBITDA ratios of comparable entities in a similar industry were obtained and adjusted for key factors to reflect estimated ratios of the investment being valued. Adjusting factors used are the Illiquidity Discount which assumes a reduced earning on a private entity in comparison to a publicly quoted entity and the Haircut adjustment which assumes a reduced earning for an entity located in Nigeria contributed by lower transaction levels in comparison to an entity in a developed or emerging market.

The steps involved in estimating the fair value of the Group's investment in FMDQ are as follows:

Step 1: Identify quoted companies with similar line of business, structure and size.
Step 2: Obtain the EV/EBITDA or the P/B or P/E ratios of these quoted companies identified from Bloomberg or Reuters.
Step 3: Derive the average or median of EV/EBITDA or the P/B or P/E ratios of these identified quoted companies.
Step 4: Apply the lower of average (mean) or median of the identified quoted companies' ratios on the Book Value or Earnings of the investment company to get the value of the investment company.
Step 5: Discount the derived value of the investment company by applying an Illiquidity and control discount to obtain the Adjusted Equity Value.
Step 6: Compare the Adjusted Equity value with the carrying value of the investment company to arrive at a net gain or loss.

The significant unobservable inputs in the valuation method include:

- Illiquidity discount
- Control discount

Generally, a change in any of the unobservable input as listed above will impact on the estimated fair values for these instruments.

**Valuation Assumptions**
Illiquidity discount and Control discount has been estimated at 31% and 23% respectively.

**Reconciliation of Level 3 fair value**
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Investment in equity

| *In thousands of Naira* | **2020** | **2019** |
|---|---|---|
| Opening balance | 287,402 | 187,464 |
| **Gain included in OCI** | | |
| Net change in fair value (unrealized) | 1,018,992 | 99,939 |
| Closing balance | 1,306,394 | 287,402 |

**Sensitivity analysis – Equity Price Risk (unquoted equity investment)**

| | **2020** | |
|---|---|---|
| *In thousands of Naira* | **Increase** | **Decrease** |
| Illiquidity discount (1% movement) | (8,809) | 8,809 |
| Control discount (1% movement) | (6,536) | 6,536 |

**8. Operating segments**

**(a) Information about reportable segments**
The Group has three (3) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services which is the basis for identifying the Group's reportable segments, and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

Capital Market & Post trade Services - Regulating the activities of all stock broking firms in Nigeria while providing them with the facilities for the purchase and sale of bonds, stocks, and shares of any kind. This also includes the clearing and settlement of trades on the Stock Exchange.

Strategic Investment - A vehicle for executing strategic investments on behalf of the Exchange and its members.

Property management - Providing property letting and property management services to the members of the public.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Management Committee at least quarterly i.e. the Chief Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

## Information about reportable segments

| *In thousands of Naira* | Capital Market & Post trade Services 2020 | Strategic investment 2020 | Property management 2020 | Adjustments 2020 | Consolidated 2020 |
|---|---|---|---|---|---|
| External revenues | 4,604,134 | 21,995 | 134,715 | - | 4,760,845 |
| Inter-segment revenue | - | - | 238,557 | (238,557) | - |
| Segment revenue | 4,604,134 | 21,995 | 373,272 | (238,557) | 4,760,845 |
| Interest revenue | 1,257,121 | - | 1,267 | - | 1,258,388 |
| Dividend from Associate | 1,255,218 | - | - | (1,255,218) | - |
| **Expenses** | | | | | |
| Personnel expenses | (3,240,385) | - | - | - | (3,240,385) |
| Depreciation and amortization | (613,229) | - | (94,650) | 118,923 | (588,956) |
| Other expenses | (2,166,339) | (1,334) | (127,756) | 71,934 | (2,223,495) |
| Share of profit of equity accounted investee | - | - | - | 2,003,217 | 2,003,217 |
| Impairment loss on non-financial asset | (34,443) | (23) | (319) | (25,568) | (60,354) |
| | 1,062,077 | 20,638 | 151,814 | 674,730 | 1,909,260 |
| **Segment Operating Surplus before tax** | 1,062,077 | 20,638 | 151,814 | 674,730 | 1,909,260 |
| Income tax expense | - | (7) | (70,259) | (0) | (70,266) |
| **Segment Operating Surplus after tax** | 1,062,077 | 20,631 | 81,556 | 674,730 | 1,838,994 |
| **Assets & Liabilities** | | | | | |
| Reportable segment assets | 23,567,296 | 1,747,494 | 2,335,697 | 7,456,085 | 35,106,572 |
| Reportable segment liabilities | 3,519,372 | 654,992 | 1,498,075 | (1,842,108) | 3,830,330 |

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| *In thousands of Naira* | Capital Market & Post trade Services 2019 | Strategic investment 2019 | Property management 2019 Restated* | Adjustments 2019 | Consolidated 2019 |
|---|---|---|---|---|---|
| External revenues | 5,809,941 | 21,395 | 198,525 | - | 6,029,861 |
| Inter-segment revenue | - | - | 838,023 | (838,023) | - |
| Segment revenue | 5,809,941 | 21,395 | 1,036,548 | (838,023) | 6,029,861 |
| Interest revenue | 1,732,046 | - | 56 | - | 1,753,497 |
| Dividend from Associate | 1,050,049 | - | - | (1,050,049) | - |
| **Expenses** | | | | | |
| Personnel expenses | (3,694,465) | - | - | - | (3,694,465) |
| Depreciation and amortization | (529,953) | - | (64,177) | 115,798 | (478,333) |
| Other expenses | (2,760,945) | (4,357) | (118,517) | 105,475 | (2,778,345) |
| Share of profit of equity accounted investee | - | - | - | 1,531,589 | 1,531,589 |
| Impairment loss on non-financial asset | (82,821) | - | - | 18,831 | (63,990) |
| | 1,523,852 | 17,037 | 853,909 | (94,984) | 2,299,814 |
| **Segment Operating Surplus before tax** | 1,523,852 | 17,037 | 853,909 | (94,984) | 2,299,814 |
| Income tax expense | - | (7) | (70,259) | (0) | (70,266) |
| **Segment Operating Surplus after tax** | 1,523,852 | 16,929 | 812,252 | (94,984) | 2,258,048 |
| **Assets & Liabilities** | | | | | |
| Reportable segment assets | 22,538,376 | 707,001 | 2,331,635 | 6,603,737 | 32,181,278 |
| Reportable segment liabilities | 3,557,298 | 654,071 | 1,577,582 | (2,033,250) | 3,755,400 |

***See Note 36**

**Geographical segment**
Nigeria is the Exchange's primary geographical segment as all the Exchange's income is derived in Nigeria. Accordingly, no further geographical segments information is reported.

## 9. Revenue

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Transaction fees | 2,835,597 | 2,705,219 | 2,835,597 | 2,705,219 |
| Listing fees | 606,946 | 1,625,603 | 606,946 | 1,625,603 |
| Entrance levies | 58,295 | 402,640 | 58,295 | 402,640 |
| Interest income (see note (a) below) | 21,560 | 21,395 | - | - |
| Rental income (see note 26(b)) | 92,732 | 69,579 | - | - |
| Other fees (see note (b) below) | 154,223 | 129,999 | 154,223 | 129,999 |
| | **3,769,352** | **4,954,435** | **3,655,061** | **4,863,461** |

a) The Group earns interest income from fixed deposits managed through its investment arm. The interest income is recognised using the effective interest method.
b) Other fees represent rent of the trading floor, annual charges from brokers, dealing license and membership fees earned by the Exchange.

## 10. Other income

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Other operating income (see note (a) below) | 440,732 | 401,699 | 398,312 | 471,917 |
| Interest income (see note (b) below) | 1,258,388 | 1,732,102 | 1,257,121 | 1,732,046 |
| Dividend income (see note (c) below) | - | - | 1,255,218 | 1,050,049 |
| Rental income | 52 | - | 52 | - |
| Market data income | 350,198 | 308,771 | 350,198 | 308,771 |
| Net gain on disposal of property and equipment | 4,631 | 238,854 | 4,631 | 25,962 |
| Provisions no longer required | 195,880 | 147,498 | 195,880 | 139,830 |
| | **2,249,881** | **2,828,923** | **3,461,413** | **3,728,576** |

a) Other operating income is made up of technology income, other sub-lease income and penalty fees.
b) Interest income comprises of income generated from investment in treasury bills, fixed deposit with commercial banks and bonds by the Exchange. The interest income is recognised using the effective interest method.
c) Dividend income represents dividend income received from the associate company - Central Securities Clearing System Plc. (CSCS).

## 11. Impairment loss on assets

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **(a) Financial assets** | | | | |
| Net impairment (charge) on trade and other receivables (see note 16(e)) | (59,123) | (63,215) | (59,108) | (63,215) |
| Impairment charge on debt instruments at amortised cost (see note 19(a)) | (894) | (295) | (903) | (295) |
| Net Impairment (charge)/reversal on cash and cash equivalents (see note 15(a)) | (337) | (481) | - | (481) |
| Net impairment charge on intercompany receivables (see note 17(a)) | - | - | 25,568 | (18,831) |
| | (60,354) | (63,990) | (34,443) | (82,821) |

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Impairment charge on investment in subsidiary (see note 21) | - | - | - | - |
| | - | - | - | - |
| | (60,354) | (63,990) | (34,443) | (82,821) |

## 11. Personnel expenses

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Salaries and allowances | 2,957,296 | 3,389,940 | 2,957,296 | 3,389,940 |
| Defined benefit cost (see note 27) | 86,236 | 118,400 | 86,236 | 118,400 |
| Contributions to defined contribution plans | 196,852 | 186,124 | 196,852 | 186,124 |
| (See note (a) below) | 3,240,385 | 3,694,465 | 3,240,385 | 3,694,465 |
| | 2,957,296 | 3,389,940 | 2,957,296 | 3,389,940 |

a) The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act of 2014 (amended). The employer contributes 10% while the employee contributes 8% of the qualifying employee's salary.

b) The average number of persons employed during the period was as follows:

| | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Executive Directors | 2 | 2 | 2 | 2 |
| Management | 26 | 21 | 26 | 21 |
| Non-Management | 241 | 265 | 241 | 265 |
| | **269** | **288** | **269** | **288** |

c) Compensation for the above persons (excluding executive directors):

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Short term benefits | 2,300,664 | 2,296,734 | 2,300,664 | 2,296,734 |
| Contributions to defined contribution plans | 180,132 | 140,089 | 180,132 | 140,089 |
| Other staff cost | 232,944 | 234,812 | 232,944 | 234,812 |
| | 2,713,740 | 2,671,635 | 2,713,740 | 2,671,635 |

d) The remuneration paid to the Council members (excluding pension and reimbursable allowances):

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Sitting allowances | 76,820 | 59,545 | 76,220 | 58,600 |
| Executive compensation* | 400,468 | 423,118 | 400,468 | 423,118 |
| | 477,288 | 482,663 | 476,688 | 481,718 |

***Executive compensation relates to compensation paid to Chief Executive Officer and members of the Executive management who are not Council members.**

e) The Council members' remuneration shown above includes:

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| The President | 7,700 | 4,950 | 7,700 | 4,950 |
| Highest paid Council member | 156,149 | 156,203 | 156,149 | 156,203 |

f) The number of executive directors* who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:

| | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| N1,000,001 - N10,000,000 | - | - | - | - |
| N10,000,001 and above | 2 | 2 | 2 | 2 |
| | 2 | 2 | 2 | 2 |

***Executive directors include the Chief Executive Officer and members of the Executive management who are not Council members.**

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

| | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| N60,000 - N2,000,000 | 44 | 65 | 44 | 65 |
| N2,000,001 - N3,500,000 | 76 | 71 | 76 | 71 |
| N3,500,001 - N5,000,000 | 6 | 15 | 6 | 15 |
| N5,000,001 - N6,500,000 | 34 | 31 | 34 | 31 |
| N6,500,001 - N8,000,000 | 22 | 25 | 22 | 25 |
| N8,000,001 - N9,500,000 | 5 | 8 | 5 | 8 |
| N9,500,001 and above | 80 | 71 | 80 | 71 |
| | 267 | 286 | 267 | 286 |

## 13. Operating expenses

| *In thousands of naira* | Group 2020 | Group 2019 restated* | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Repairs and Maintenance | 191,516 | 362,235 | 86,821 | 259,704 |
| Council member's sitting allowances and expenses | 264,168 | 373,597 | 263,120 | 371,912 |
| Professional fees | 294,989 | 297,871 | 276,782 | 293,733 |
| Audit Fees | 37,000 | 35,000 | 34,000 | 31,764 |
| Travelling expenses | 27,514 | 148,438 | 27,514 | 148,438 |
| Rent and rates | 8,880 | 3,944 | 8,880 | 3,944 |
| Stationery, library and fact book expenses | 5,533 | 16,109 | 5,529 | 16,109 |
| Subscriptions | 127,710 | 70,476 | 127,710 | 70,476 |
| NSITF charge | 27,463 | 39,422 | 27,463 | 39,422 |
| Software, Internet and connectivity subscription | 530,197 | 581,123 | 530,197 | 581,123 |
| Diesel expenses | 44,910 | 79,404 | 44,910 | 79,404 |
| Project expenses (see note (a) below) | 146,320 | 261,537 | 146,320 | 261,537 |
| Water and rates | 38,636 | 42,396 | 109,130 | 115,930 |
| Events, seminars & sponsorship expenses | 27,510 | 76,009 | 27,510 | 76,009 |
| Security expense | 25,129 | 42,628 | 25,129 | 40,009 |
| Bank charges | 142,050 | 118,258 | 141,972 | 117,719 |
| X Academy expense | 7,173 | 25,648 | 7,173 | 25,648 |
| Enterprise Innovation Hub Expense | 36,416 | 9,772 | 36,416 | 9,772 |
| Corporate social responsibilities and gifts | 42,937 | 53,718 | 42,937 | 53,718 |
| Telephone, postages and periodicals | 19,044 | 9,693 | 19,044 | 9,677 |
| Interest on Lease liabilities (see note (b) below) | 5,721 | 3,451 | 5,075 | 27,597 |
| Exchange loss (unrealised) | 40,330 | 1,825 | 40,330 | 1,825 |
| General expenses (see note (c) below) | 132,349 | 125,792 | 132,377 | 125,473 |
| | 2,223,495 | 2,778,345 | 2,166,339 | 2,760,945 |

a) Project expenses relate to ERP software upgrade, demutualisation and x-Issuer portal projects.
b) Interest on lease liabilities relate to the implicit cost to the (right of use) of leased offices occupied by branches of the Exchange in various states in the country. The interest expense is computed using the incremental borrowing rate of 17%.
c) General expenses include insurance, advert and publications, cleaning materials, office provisions, AGM expenses and brand management expenses.

* See Note 36

### 14. Income tax expense

| *In thousands of naira* | Group 2020 | Group 2019 Restated* | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **Minimum tax expense** | | | | |
| Minimum tax | - | 134 | - | - |
| **Income tax expense:** | | | | |
| Companies Income Tax | 40,178 | 16,868 | - | - |
| Police Trust Fund Levy | 6 | 6 | - | - |
| Education Tax | 4,960 | 3,329 | - | - |
| | 45,144 | 20,203 | - | - |
| **Deferred tax** | | | - | - |
| Origination and reversal of temporary difference | 25,122 | 21,429 | - | - |
| | 70,266 | 41,632 | - | - |
| Total tax expense | 70,266 | 41,766 | - | - |

**Reconciliation of effective tax rate**

| *In thousands of naira* | Group 2020 | Group 2020 | Group 2019 | Group 2019 |
|---|---|---|---|---|
| Surplus before tax | | 1,909,260 | | 2,301,798 |
| Income tax using the domestic corporation tax rate | 30% | 572,778 | 30% | 690,539 |
| Non-deductible expenses | 2% | 29,219 | 1% | 18,197 |
| Tax exempt income | 0% | 1,598 | -10% | (232,428) |
| Police Trust Fund Levy | 0% | 6 | 0% | 44 |
| Effect of share of profit of equity accounted investee | -31% | (600,965) | -20% | (459,477) |
| Minimum tax | 0% | - | 0% | 134 |
| Education tax | 0.3% | 4,960 | 0.1% | 3,329 |
| Change in recognised deductible temporary difference | 3% | 62,670 | 0% | 21,429 |
| Tax expense | 4% | 70,266 | 1% | 41,766 |

(a) No tax charge has been computed for the Exchange because the income of the Exchange is not liable to tax since it is a company limited by guarantee. However, tax charge has been computed for the subsidiaries.

## 15. Cash and cash equivalents

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Bank balances | 4,013,717 | 1,763,501 | 2,688,684 | 1,708,049 |
| Fixed deposits | 2,976,850 | 2,654,660 | 2,876,432 | 2,601,251 |
| **Gross total** | **6,990,567** | **4,418,161** | **5,565,116** | **4,309,300** |
| ECL allowance (see note (a) below) | (2,504) | (2,121) | (2,121) | (2,121) |
| Carrying amount | 6,988,063 | 4,416,040 | 5,562,994 | 4,307,178 |

a) Movement in allowance for impairment of cash and cash equivalent

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | 2,121 | 1,641 | 2,121 | 1,641 |
| Remeasurement of ECL allowance (see note 11) | 337 | 481 | - | 481 |
| Closing balance | 2,504 | 2,121 | 2,121 | 2,121 |

## 16. Trade and other receivables

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Trade receivables | 698,138 | 698,138 | 698,138 | 698,138 |
| Staff loans | 771,512 | 771,512 | 771,512 | 771,512 |
| Due from NSE/CSCS Multipurpose Cooperative Society (see note (a) below ) | 683,935 | 683,935 | 683,935 | 683,935 |
| Deferred recovery of bonuses (see note (b) below) | 757,757 | 757,757 | 757,757 | 757,757 |
| Due from gratuity fund administrators | 299 | 299 | 299 | 299 |
| Deposit for investment (see note (c) below) | 299 | 299 | 299 | 299 |
| Other receivables (see note (d) below) | 299 | 299 | 299 | 299 |
| **Gross total** | **-** | **-** | **-** | **-** |
| ECL Allowance (See note (e) below) | 862,045 | 229,550 | 847,600 | 200,383 |
| Carrying amount | 862,045 | 229,550 | 847,600 | 200,383 |

a) The amount due from NSE/CSCS Multipurpose Co-operative Society relates to two payments of N150million and N114.9million made in connection with the purchase of shares on behalf of the NSE/CSCS Multipurpose Cooperative Society. Efforts are being made by management to recover these disputed amounts and the matter is currently a subject of litigation. The Exchange has fully impaired the amount subject to recovery of the receivable in a future year.
b) Deferred recovery of bonuses represents N2.09billion distributed to certain ex-council members as share of surplus between 2006 and 2008. This payment was contrary to section 26(3) of the Companies and Allied Matters Act (CAMA), and the Securities and Exchange Commission directed the Exchange to recover the money from the ex- council Members involved. Refunds amounting to N655.50million have been received from the ex-council members to date. In 2017, the group reached an out of court settlement with two beneficiaries of the bonus leading to a write-off of N901.6million. The outstanding balance of N537.5million continues to be subject of a litigation on account of a dispute over the basis of payment. The Exchange has fully impaired the amount subject to recovery of the receivable in future years.

c) The Exchange entrusted the stated sum with a selected Asset Manager who will manage the funds for the benefit of the Company. As at the end of December 2020, the Asset Manager is yet to allocate deposited funds to the managed investment plan/fund.

d) Other receivables include investment in defunct Hallmark Bank and other unsubstantiated receivables (N667.68million). These amounts have been fully impaired as at year end.

e) Analysis of allowance for impairment of trade and other receivable is shown below:

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Trade debtors- listing fees | 507,881 | 518,321 | 507,881 | 511,983 |
| Trade debtors-annual charges | 112,084 | 112,591 | 112,084 | 112,591 |
| Trade debtors-market data | 9,709 | 10,518 | 9,709 | 10,518 |
| Sundry Debtors - NSE/CSCS Cooperative | 264,979 | 264,979 | 264,979 | 264,979 |
| Deferred recovery of bonuses | 522,500 | 527,500 | 522,500 | 527,500 |
| Gratuity plan assets | 2,165 | 23,165 | 2,165 | 23,165 |
| Other receivables | 753,285 | 727,259 | 201,487 | 181,815 |
| | 2,172,602 | 2,184,334 | 1,620,804 | 1,632,552 |

f) Movement in allowance for impairment of trade and other receivables is shown below

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | 2,184,334 | 2,127,458 | 1,632,552 | 1,575,676 |
| Movement during the year: | 112,084 | 112,591 | 112,084 | 112,591 |
| Reversal | (70,855) | (32,230) | (70,855) | (32,230) |
| impairment (charge) on trade receivables | | | | |
| Net remeasurement of ECL allowance (see note 11) | 59,123 | 95,445 | 59,108 | 95,445 |
| Closing balance | 2,172,602 | 2,184,334 | 1,620,804 | 1,632,552 |

## 17. Intercompany receivables

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Intercompany receivables | - | - | 1,704,128 | 1,869,934 |
| ECL allowance | - | - | (975,694) | (1,001,263) |
| Carrying amount | - | - | 728,434 | 868,671 |
| Current asset | | | 728,434 | 868,671 |
| Non-current asset | | | - | - |

Intercompany receivables have been classified as current asset as the Exchange expects the subsidiaries to fulfil their obligation within 12 months.

a) Movement in ECL allowance on intercompany receivables is shown below

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | - | - | 1,001,263 | 1,717,143 |
| Net remeasurement of ECL allowance (see note 11) | - | - | (25,568) | 18,831 |
| Reversals | - | - | - | (734,711) |
| Closing balance | - | - | 975,694 | 1,001,263 |

b) Intercompany receivables represent amounts receivable from the Exchange's subsidiaries. An analysis of intercompany receivables is shown below:

**The Exchange**

| *In thousands of naira* | Gross 2020 | ECL Impairment 2020 | Carrying amount 2020 | Gross 2019 | ECL Impairment 2019 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| NSE Consult Limited | 626,989 | (626,989) | - | 626,989 | (626,989) | - |
| NGX Real Estate Limited | 1,056,543 | (328,109) | 728,434 | 1,220,574 | (351,903) | 868,671 |
| Coral Properties Limited | 20,596 | (20,596) | - | 20,433 | (20,433) | - |
| NSE Nominees Limited | - | - | - | 1,937 | (1,937) | - |
| | 1,704,128 | (975,694) | 728,434 | 1,869,934 | (1,001,263) | 868,671 |

These receivables have been evaluated for impairment based on their recoverable amounts as explained below:

1. NSE Consult Limited

Intercompany receivables from NSE Consult Limited represent payments made by the Exchange with respect to the purchase of shares by the subsidiary and other expenses incurred on behalf of the subsidiary. Impairment allowance was charged on the balance which Council members have determined is doubtful.

2. NGX Real Estate Limited

Intercompany receivables from NGX Real Estate Limited represent maintenance expenses incurred by the Exchange on behalf of NGX Real Estate Limited with respect to the property rented from the subsidiary. Council members expect to recover the receivable from rents paid to the subsidiary in subsequent years.

3. Coral Properties Limited

Intercompany receivables due from Coral Properties Limited was adjusted to reflect the board sitting allowance and other expenses incurred by the subsidiary with respect to its meetings and operations which were paid by the Exchange. During the year, the company transferred the investment property under construction to the exchange as the full and final payment of amount due to the exchange. Impairment allowance was charged on the remaining exposure as Council members are of the opinion that the recoverability of balance is doubtful.

4. NSE Nominees Limited

Intercompany receivables due from NSE Nominees Limited relate to board sitting allowance and other expenses incurred by the subsidiary with respect to its meetings and operations during the year which were paid by the Exchange. The Council members are of the opinion that the receivable is recoverable from the cash balance of the subsidiary.

## 18. Prepayment

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Prepayments | 95,760 | 251,677 | 93,223 | 251,653 |
| Prepayments for IT platform | 42,591 | 36,469 | 42,591 | 36,469 |
| Advance payments to third parties ( See note (a) below) | 13,681 | 13,681 | 13,681 | 13,681 |
| **Gross total** | 152,032 | 301,827 | 149,494 | 301,802 |
| Current | 152,032 | 301,827 | 149,494 | 301,802 |
| Noncurrent | - | - | - | - |
| | 152,032 | 301,827 | 149,494 | 301,802 |

a) Advanced payments to third party represent part payments made to contractors for ongoing services and projects rendered to the Exchange during the year.

19. **Investment Securities**

| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|
| ***At amortised cost*** | 7,160,789 | 4,305,457 | 7,160,789 | 4,305,457 |
| Bonds | 754,197 | 426,519 | 754,197 | 426,519 |
| Commercial Papers | 794,023 | 6,707,344 | 794,023 | 6,517,675 |
| Treasury bills | (1,249) | (346) | (1,249) | (346) |
| ECL allowance (see note (a) below) | 8,707,760 | 11,438,974 | 8,707,760 | 11,249,304 |
| Sub total | 1,475,386 | 456,394 | - | - |
| Equity securities at Fair Value through OCI (see note (b) below) | 1,475,386 | 456,394 | - | - |
| **Sub total** | 10,183,145 | 11,895,368 | 8,707,760 | 11,249,304 |

| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|
| Non-current | 7,414,186 | 4,761,505 | 5,938,801 | 4,305,438 |
| Current | 2,768,959 | 7,133,863 | 2,768,959 | 6,943,867 |
| **Carrying amount** | 10,183,145 | 11,895,368 | 8,707,760 | 11,249,304 |

(a) Movement in allowance for impairment of investment securities is shown below

| *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| Opening balance | 346 | 51 |
| Remeasurement of ECL allowance (see note 11) | 903 | 295 |
| | 1,249 | 346 |

(b) Analysis of equity securities

ii. Equity investments at FVOCI comprise the following:

| Equity investments at FVOCI comprise the following: *In thousands of naira* | **Group 2020** | **Group 2019** |
|---|---|---|
| **Quoted investment** | | |
| National Association of Securities Dealers (NASD OTC PLC) | 168,992 | 168,992 |
| Sub total | 168,992 | 168,992 |
| **Unquoted investment** | 1,306,394 | 287,402 |
| Financial Market Dealers Quotation (FMDQ OTC) | 1,306,394 | 287,402 |
| Sub total | 1,475,386 | 456,394 |
| Total carrying amount | 168,992 | 168,992 |

iii. Movement in equity investment at FVOCI

| Movement in equity investment at FVOCI *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| Cost - FMDQ and NASD OTC | 138,080 | 101,352 |
| Additional investment | - | 36,728 |

| | | |
|---|---|---|
| Fair value changes (see note (b) (iii) below) | 1,337,305 | 318,314 |
| | 1,475,386 | 456,394 |

iv. Movement in fair value on equity securities

| Movement in equity investment at FVOCI<br>*In thousands of naira* | **2020** | **2019** |
|---|---|---|
| Opening balance | 318,314 | 162,302 |
| Fair value changes during the year (See note (b)(iv)below) | 1,018,992 | 156,012 |
| | 1,337,305 | 318,314 |

v. Fair value changes on investment securities during the year

| Movement in equity investment at FVOCI<br>*In thousands of naira* | **2020** | **2019** |
|---|---|---|
| NASD PLC | - | 56,072 |
| FMDQ (OTC) | 1,018,992 | 99,939 |
| | 1,018,992 | 156,011 |

b) The financial assets which are held at FVOCI, are equity investments in National Association of Securities Dealers (NASD OTC) amounting to N88,080,433, investments in Financial Market Dealers Quotation (FMDQ OTC) amounting to N50,000,000. The Company holds 10.87% (2019: 10.87%) of NASD' shares and 6.5% (2019: 6.5%) of FMDQ's shares. The Group designated these investments at FVOCI because these equity investments represent investments that the group intends to hold for long term strategic purposes. None of these strategic investments were disposed of during 2020 and there were no transfers of any cummulative gain or loss within equity relating to these investments. The valuation techniques are explained in note 7.

## 20. Investment in associates

| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|
| Investment in Associate - CSCS ((see note (i) below) | 10,574,670 | 9,875,445 | 1,420,653 | 1,420,653 |
| Investment in Associate - NG Clearing ((see note (ii) below) | 1,850,925 | 814,541 | 1,736,687 | 736,687 |
| Carrying amount | 12,425,595 | 10,689,986 | 3,157,340 | 2,157,340 |

### *i. Investment in Associate - CSCS*

The Group has a 29.19% ownership interest in Central Securities Clearing Systems (CSCS) Plc (2019: 29.19%). The principal activity of the Company is to act as a depository, clearing and settlement agency for all quoted and trade securities in the Nigerian capital market. CSCS is domiciled in Nigeria. The net assets of the Company as at 31 December 2020 was N35,347,343,000 (2019: N33,071,113,000).

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Balance, beginning of the year | 9,875,445 | 8,344,433 | 1,420,653 | 387,804 |
| Share of current year result (net of tax) | 1,966,832 | 1,463,658 | - | - |
| Additional Investment during the year | - | 1,032,849 | - | 1,032,849 |
| Share of OCI | (12,389) | 84,554 | - | - |
| Dividends paid | (1,255,218) | (1,050,049) | - | - |
| Total investment in associates | 10,574,670 | 9,875,445 | 1,420,653 | 1,420,653 |
| Carrying amount | 10,574,670 | 9,875,445 | 1,420,653 | 1,420,653 |

Summary financial information for the equity accounted investee, not adjusted for the percentage ownership held by the Group is as follows:

| *In thousands of naira* | 2020 | 2019 |
|---|---|---|
| Percentage ownership interest | 29.2% | 29.2% |
| Non-current assets | 23,061,533 | 29,566,590 |
| Current assets | 18,358,499 | 7,050,410 |
| Non-current liabilities | (7,099) | (49,033) |
| Current liabilities | (6,065,591) | (3,496,853) |
| Net assets (100%) | 35,347,343 | 33,071,113 |
| | | |
| **Group's share of net assets (29.19%) (2019: 29.19%)** | **10,317,889** | **9,653,458** |
| Revenue | 12,101,902 | 9,206,240 |
| Profit from continuing operations | 6,738,033 | 5,014,244 |
| Other comprehensive income | (42,441) | |
| Total comprehensive income | 6,695,592 | 5,014,244 |
| **Group's share of profit and total comprehensive income** | 1,954,443 | 1,463,658 |
| Group's interest in net assets of investee at the beginning of the year | 9,875,445 | 8,344,433 |
| Total comprehensive income attributable to the Group | 1,966,832 | 1,463,658 |
| Additional Investment during the year | - | 1,032,849 |
| Share of OCI | (12,389) | 84,554 |
| Dividend received during the year | 1,255,218) | (1,050,049) |
| Group's interest in the net assets of investee at the end of the year | 10,574,670 | 9,875,445 |

Investment in associates is currently carried at cost plus the share of the group percentage holding in net assets of the associate.

**ii. Investment in associate - NG Clearing**

NG Clearing Limited is an associate company which The Exchange has 27.7% ownership interest (2019: 22.6%). During the year, the Exchange acquired additional shares thereby taking its shareholding from 22.6% to 27.7%.The Nigerian Stock Exchange owns 29.19% ownership interest in CSCS who is also a major shareholder in NG Clearing with a percentage holding of 22.6%. This implies that through direct and indirect, the exchange percentage of ownership in NG Clearing as at 31 December 2020 is 34.29% which is less than 50% required for classification as subsidiary. It is principally established to operate clearing house(s) for the clearance and settlement of transactions in financial securities and derivatives contracts. The Company is yet to commenced operations.

| | Cost | | | |
|---|---|---|---|---|
| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
| Balance, beginning of the year | 814,541 | 680,423 | 736,687 | 670,500 |
| Adjustment to opening balance | - | 66,187 | - | 66,187 |
| Additional Investment during the year | 1,000,000 | - | 1,000,000 | - |
| Share of current year result (net of tax) | 36,385 | 67,931 | - | - |
| Total investment | 1,850,925 | 814,541 | 1,736,687 | 736,687 |
| Carrying amount | 1,850,925 | 814,541 | 1,736,687 | 736,687 |

| *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| Percentage ownership interest | 27.7% | 22.6% |
| Non-current assets | 202,474 | 24,288 |
| Current assets | 6,544,932 | 3,543,612 |
| Current liabilities | (130,821) | (546,775) |
| Net assets (100%) | 6,616,585 | 3,021,125 |

| *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| **Group's share of net assets (27.7%)** | **1,832,794** | **682,774** |
| Revenue | 554,539 | 380,597 |
| Profit from continuing operations | 131,353 | 300,580 |
| Total comprehensive income | 131,353 | 300,580 |
| **Group's share of profit and total comprehensive income/(loss)** | 36,385 | 67,931 |
| Group's interest in net assets of investee at the beginning of the year | 814,541 | 680,423 |
| Total comprehensive income attributable to the Group | 36,385 | 67,931 |
| Additional Investment during the year | 1,000,000 | 66,187 |
| Group's interest in the net assets of investee at the end of the year | 1,850,926 | 814,541 |

**iii. Total amount recognised in profit or loss is as follows**

| *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| **Group's share of net assets (27.7%)** | 1,966,832 | 1,463,658 |
| Share of profit from associate company: CSCS | 36,385 | 67,931 |
| Share of profit from associate company: NG Clearing | 2,003,217 | 1,531,589 |
| | 1,966,832 | 1,463,658 |

## 21. Investment in subsidiaries

| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|
| NSE Consult Limited | - | - | 1,250 | 1,250 |
| Coral Properties Limited | - | - | 72,000 | 72,000 |
| NGX Real Estate Limited | - | - | 945,700 | 945,700 |
| NSE Nominees Limited | - | - | 500 | 500 |
| Nigerian Exchange Limited | - | - | 2,416,961 | - |
| NGX Regulation Limited | - | - | 652,982 | - |
| Total investment in subsidiaries | | | 4,089,393 | 1,019,450 |
| Impairment (see note 19 (v) below) | - | - | (73,500) | (73,500) |

| | | | | |
|---|---|---|---|---|
| Carrying amount | - | - | 4,015,893 | 945,950 |

i. The Exchange has a 99.8% holding in NSE Consult Limited. NSE Consult Limited was incorporated in Nigeria on 19 May 2004 and commenced business on 15 April 2005. Its principal objective is to carry on business as consultants, financial advisers and analysts, and to carry on business as the strategic investment arm/subsidiary of the Nigerian Stock Exchange. The principal place of business of the Company is Nigeria.

ii. The Exchange has a 100% holding in Coral Properties Limited. Coral Properties Limited was incorporated in Nigeria as a private limited liability company on 20 May 1993 and became a public Company on 29 August 1995. The principal activity of the Company is real estate development and sales. The Company's place of incorporation is also the Company's place of principal place of business.

iii. The Exchange has a 100% holding in NGX Real Estate Limited. NGX Real Estate Limited was incorporated as a limited liability Company on 29 June 1974 as Naira Properties Limited and its name was changed to NGX Real Estate Limited on 13 October 2019. The company's main activities are property letting and investment. Nigerian Stock Exchange acquired 40% equity interest in NGX Real Estate Limited in February 1986. The company became a wholly owned subsidiary of the Exchange in 2005.

iv. The Nigerian Stock Exchange has an 83.3% holding in NSE Nominees Limited. NSE Nominees Limited was incorporated on 22 May 2007 with the principal objective of opening and operating a nominee account for the purpose of buying back shares for the benefit of investors who suffered losses through an unauthorized sale of their shares within the Nigerian Capital Market.

v. The Nigerian Stock Exchange has a 99.9% holding in Nigerian Exchange Limited. Nigerian Exchange Limited is a Company domiciled and incorporated in Nigeria. The Company was incorporated as a limited liability Company on 22 July 2019. The principal activities are to provide facilities to the public for the purchase and sale of securities, a platform for the listing of securities and sale of securities to the public, market data and indices for sale to the public. The company is yet to commence operations.

vi. The Nigerian Stock Exchange has a 99.9% holding in NGX Regulation Limited. NGX Regulation Limited is a Company domiciled and incorporated in Nigeria. The Company was incorporated as a limited liability Company on 22 July 2019. The company will focus on carrying out the regulatory functions as agreed with The Exchange. The company is yet to commence operations.

vii. An analysis of allowance for impairment of investment in subsidiaries is shown below:

| *In thousands of naira* | **Gross 2020** | **ECL Impairment 2020** | **Carrying amount 2020** | **Gross 2019** | **ECL Impairment 2019** | **Carrying amount 2019** |
|---|---|---|---|---|---|---|
| NSE Consult Limited | 1,250 | (1,000) | 250 | 1,250 | (1,000) | 250 |
| Coral Properties Limited | 72,000 | (72,000) | - | 72,000 | (72,000) | - |
| NSE Nominees | 500 | (500) | - | 500 | (500) | - |
| | 73,750 | (73,500) | 250 | 73,750 | (73,500) | 250 |

**Movement in impairment allowance**

| *In thousands of naira* | **2020** | **2019** |
|---|---|---|
| Opening balance | 73,500 | 73,500 |
| Charge for the year | - | - |
| Reversal | - | - |
| Closing balance | 73,500 | 73,500 |

FINANCIAL INFORMATION

**viii.** Condensed results of consolidated entities

Condensed results of the consolidated entities as at 31 December 2020, are as follows:

| *In thousands of naira* | Group balance | Elimination entries | The Exchange | Nigerian Exchange Limited | NGX Regulation Limited | NSE Consult Limited | Coral Properties Limited | NGX Real Estate Limited | NSE Nominees Limited |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 6,019,233 | (1,494,348) | 7,116,474 | - | - | 21,995 | - | 374,540 | 573 |
| Expenses | (6,052,836) | 191,430 | (6,019,953) | - | - | (1,334) | (673) | (221,733) | (573) |
| ECL Allowance | (60,354) | (25,568) | (34,443) | - | - | (23) | - | (319) | - |
| Operating surplus before tax | (93,957) | (1,328,487) | 1,062,078 | - | - | 20,638 | (673) | 152,487 | - |
| Share of profit of equity accounted investees | 2,003,217 | 2,003,217 | - | - | - | - | - | - | - |
| Tax expense | (70,266) | (0) | - | - | - | (7) | - | (70,259) | - |
| Operating surplus/(loss) after tax | 1,838,994 | 674,730 | 1,062,078 | - | - | 20,631 | (673) | 82,229 | - |
| Other comprehensive income | 1,011,370 | (12,389) | 4,767 | - | - | 1,018,992 | - | - | - |
| Total comprehensive income for the year | 2,850,364 | 662,341 | 1,066,845 | - | - | 1,039,622 | (673) | 82,229 | - |

Condensed financial position

| *In thousands of naira* | Group balance | Elimination entries | The Exchange | Nigerian Exchange Limited | NGX Regulation Limited | NSE Consult Limited | Coral Properties Limited | NGX Real Estate Limited | NSE Nominees Limited |
|---|---|---|---|---|---|---|---|---|---|
| Total non-current assets | 24,335,474 | 5,114,576 | 13,509,814 | 1,916,961 | 152,982 | 24,335,474 | 5,114,576 | 13,509,814 | 1,916,961 |
| Total current assets | 10,771,098 | (728,434) | 10,057,482 | 500,000 | 500,000 | 10,771,098 | (728,434) | 10,057,482 | 500,000 |
| Total assets | 35,106,572 | 4,386,142 | 23,567,296 | 2,416,961 | 652,982 | 35,106,572 | 4,386,142 | 23,567,296 | 2,416,961 |
| | | | | | | | | | |
| Total equity | 31,276,242 | 6,232,018 | 20,047,924 | 2,416,961 | 652,982 | 31,276,242 | 6,232,018 | 20,047,924 | 2,416,961 |
| Total non-current liabilities | 1,157,007 | - | 918,125 | - | - | 1,157,007 | - | 918,125 | - |
| Total current liabilities | 2,673,323 | (1,845,877) | 2,601,247 | - | - | 2,673,323 | (1,845,877) | 2,601,247 | - |
| Total liabilities | 3,830,330 | (1,845,877) | 3,519,372 | - | - | 3,830,330 | (1,845,877) | 3,519,372 | - |
| Total equity and liabilities | 35,106,572 | 4,386,142 | 23,567,296 | 2,416,961 | 652,982 | 35,106,572 | 4,386,142 | 23,567,296 | 2,416,961 |

Condensed results of the consolidated entities as at 31 December 2019, are as follows

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| *In thousands of naira* | Group balance | Elimination entries | The Exchange | Nigerian Exchange Limited | NGX Regulation Limited | NSE Consult Limited | Coral Properties Limited | NGX Real Estate Limited | NSE Nominees Limited |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 7,783,358 | (1,867,275) | 8,592,037 | - | - | 21,395 | 753,087 | 283,517 | 598 |
| Expenses | (6,951,143) | 227,278 | (6,985,363) | - | - | (9,766) | (6,454) | (176,241) | (598) |
| ECL Allowance | (63,990) | 18,831 | (82,821) | - | - | - | - | - | - |
| Operating surplus before tax | 768,225 | (1,621,166) | 1,523,853 | - | - | 11,629 | 746,634 | 107,276 | - |
| Share of profit of equity accounted investees | 1,531,589 | 1,531,589 | - | - | - | - | - | - | - |
| Tax expense | (41,766) | (0) | - | - | - | (108) | (252) | (41,406) | - |
| Operating surplus/(loss) after tax | 2,258,048 | (89,577) | 1,523,853 | - | - | 11,521 | 746,381 | 65,870 | - |
| Other comprehensive income | 250,277 | 84,555 | 9,710 | - | - | 156,012 | - | - | - |
| Total comprehensive income for the year | 2,508,325 | (5,022) | 1,533,563 | - | - | 167,533 | 746,381 | 65,870 | - |

**Condensed financial position**

| *In thousands of naira* | Group balance | Elimination entries | The Exchange | Nigerian Exchange Limited | NGX Regulation Limited | NSE Consult Limited | Coral Properties Limited | NGX Real Estate Limited | NSE Nominees Limited |
|---|---|---|---|---|---|---|---|---|---|
| Total non-current assets | 20,099,998 | 7,282,412 | 9,916,475 | - | - | 646,064 | - | 2,255,047 | - |
| Total current assets | 12,081,280 | (678,146) | 12,621,901 | - | - | 60,937 | - | 76,588 | - |
| Total assets | 32,181,278 | 6,604,267 | 22,538,376 | - | - | 707,001 | - | 2,331,635 | - |
| | | | | | | | | | |
| Total equity | 28,425,878 | 8,642,106 | 18,981,079 | - | - | 52,931 | (21,812) | 775,865 | (4,291) |
| Total non-current liabilities | 2,707,329 | 1,659,259 | 834,310 | - | - | - | 213,761 | - | - |
| Total current liabilities | 1,048,071 | (3,697,100) | 2,722,988 | - | - | 654,071 | 21,812 | 1,342,009 | 4,291 |
| Total liabilities | 3,755,400 | (2,037,841) | 3,557,298 | - | - | 654,071 | 21,812 | 1,555,770 | 4,291 |
| Total equity and liabilities | 32,181,278 | 6,604,267 | 22,538,376 | - | - | 707,001 | - | 2,331,635 | - |

***See Note 36***

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**Property and Equipment**
**Reconciliation of carrying amount**

| *In thousands of naira* | Note | Land | Buildings | Leasehold Improvement | Office Equipment | Motor vehicle | Computer Equipment | Furniture, fixtures and fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| (a) The Group Cost | | | | | | | | | |
| Balance as at 1 January 2019, *as previously reported* | | 199,554 | 2,212,449 | 1,628,699 | 952,958 | 454,062 | 1,129,867 | 306,347 | 6,883,935 |
| Impact of correction of prior year amount (see note 36) | | (199,554) | 199,554 | | | | | | |
| Restated balance at 1 January 2019 | | - | 2,412,003 | 1,628,699 | 952,958 | 454,062 | 1,129,867 | 306,347 | 6,883,93 |
| Additions (*Restated*) | 36 | - | 83,312 | 39,300 | 191,995 | 308,278 | 156,655 | 6,014 | 785,554 |
| Disposals | | - | - | - | (840) | (108,310) | 11,328 | (3,753) | (101,575) |
| Restated balance at 31 December 2019 | | - | 2,495,316 | 1,667,998 | 1,144,112 | 654,030 | 1,297,851 | 308,607 | 7,567,913 |
| **Balance at 1 January 2020** | | - | 2,495,316 | 1,667,998 | 1,144,112 | 654,030 | 1,297,851 | 308,607 | 7,567,914 |
| Additions | | - | 95,290 | 7,959 | 49,093 | 111,995 | 55,009 | 29,714 | 349,060 |
| Disposals | | - | - | (0) | (7,747) | (22,968) | (244) | (9,048) | (40,008) |
| **Balance as at 31 December 2020** | | **-** | **2,590,606** | **1,675,957** | **1,185,458** | **743,057** | **1,352,616** | **329,273** | **7,876,966** |
| **Depreciation and impairment losses** | | | | | | | | | |
| Balance as at 1 January 2019 | | - | 463,690 | 268,085 | 597,649 | 270,280 | 1,069,871 | 239,363 | 2,908,937 |
| Depreciation for the year *(Restated)* | 36 | - | 91,701 | 33,350 | 116,304 | 88,331 | 35,147 | 20,732 | 385,566 |
| Disposals | | - | - | - | (658) | (98,105) | (15,199) | (3,751) | (117,713) |
| Restated balance as at 31 December 2019 | | - | 555,391 | 301,436 | 713,295 | 260,506 | 1,089,818 | 256,344 | 3,176,790 |
| Recognition of right-of-use asset | | - | - | - | - | - | - | - | - |
| **Balance as at 1 January 2020** | | - | 555,391 | 301,436 | 713,295 | 260,506 | 1,089,818 | 256,344 | 3,176,790 |
| Depreciation for the year | | - | 99,586 | 33,511 | 143,330 | 120,501 | 56,681 | 20,778 | 474,386 |
| Disposals | | - | 1 | (230) | (5,914) | (16,940) | 1,169 | (6,056) | (27,970) |
| **Balance as at 31 December 2020** | | - | 654,978 | 334,718 | 850,711 | 364,066 | 1,147,668 | 271,066 | 3,623,206 |
| **Carrying amounts** | | | | | | | | | |
| At 1 January 2020 | | - | 1,939,925 | 1,366,562 | 430,817 | 393,524 | 208,033 | 52,263 | 4,391,352 |
| At 31 December 2020 | | - | 1,935,628 | 1,341,239 | 334,747 | 378,991 | 204,948 | 58,207 | 4,253,760 |

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There were no capitalized borrowing costs related to the acquisition of property and equipment during the year.

ii. Property, plant and equipment includes right-of-use assets of N142.3million (2019: N99.5 million) related to leased properties that do not meet the definition of investment property (See note (26)(A)(i)) .The leased properties include land and multiple office spaces.
iii. There were no capital commitment relating to property and equipment as at reporting data (2019: nil). (iv) There were no impairment loss on any of the class of property and equipment.
iv. Included in property and equipment is property valued at N4.2 billion (2019: N4.1 billion) which is accounted for as investment property in the separate financial statement of the subsidiary, NGX Real Estate Limited. The property was valued by Diya Fatmileyin and Co., a valuation expert duly registered with Financial Reporting Council (FRC), FRC/2013/NIESV/00000002773, and the Nigerian Institute of Estate Surveyors and Valuers (NIESV).
v. There were no liens or encumbrances on the assets.

**Property and equipment**
**Reconciliation of carrying amount**

| *In thousands of naira* | Note | Land | Buildings | Leasehold Improvement | Office Equipment | Motor vehicle | Computer Equipment | Furniture, fixtures and fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| (a) The Exchange Cost | | | | | | | | | |
| Balance as at 1 January 2019, as previously reported | | | 298,770 | 1,481,198 | 903,638 | 454,062 | 1,127,212 | 306,346 | 4,571,225 |
| Additions | | | - | 39,298 | 30,603 | 308,278 | 185,803 | 6,014 | 569,996 |
| Disposals | | | - | - | (840) | (108,310) | (17,818) | (3,752) | (130,721) |
| Transfers/write-offs | | | - | - | - | - | - | - | - |
| Balance as at 31 December 2019 | | | 298,770 | 1,520,496 | 933,401 | 654,030 | 1,295,197 | 308,607 | 5,010,501 |
| Balance at 1 January 2020 | | | 298,770 | 1,520,496 | 933,401 | 654,030 | 1,295,197 | 308,607 | 5,010,500 |
| Additions | | | 237,712 | 7,960 | 43,734 | 111,995 | 55,009 | 29,714 | 486,124 |
| Disposals | | | - | (0) | (7,748) | (22,968) | (243) | (9,048) | (40,007) |
| Transfers | | | - | (1,528,455) | (950,473) | (446,975) | (1,284,304) | (278,311) | (4,488,517) |
| Balance as at 31 December 2020 | | | 536,482 | - | 18,915 | 296,082 | 65,658 | 50,962 | 968,099 |

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Depreciation and impairment losses** | | | | | | | | |
| Balance as at 1 January 2019 | - | - | 264,661 | 594,279 | 270,507 | 1,067,217 | 239,363 | 2,436,028 |
| Depreciation for the year | - | 162,056 | 30,400 | 100,521 | 88,331 | 35,147 | 20,732 | 437,186 |
| Disposals | - | - | - | (658) | (98,333) | (15,199) | (3,751) | (117,940) |
| Transfers/write-offs | - | - | - | - | - | - | - | - |
| Balance as at 31 December 2019 | 162,056 | 295,060 | 694,142 | 260,506 | 1,087,165 | 256,344 | 2,755,275 | 162,056 |
| Balance as at 1 January 2020 | 162,056 | 295,060 | 694,142 | 260,506 | 1,087,165 | 256,344 | 2,755,275 | 162,056 |
| Depreciation for the year | 169,419 | 30,561 | 100,719 | 120,501 | 56,681 | 20,778 | 498,659 | 169,419 |
| Disposals | - | 1 | (5,914) | (16,940) | 1,168 | (6,056) | (27,740) | - |
| Transfers | - | (325,622) | (774,982) | (208,708) | (1,109,982) | (236,577) | (2,655,871) | - |
| Balance as at 31 December 2020 | 331,475 | - | 13,965 | 155,358 | 35,032 | 34,488 | 570,319 | 331,475 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2020 | 298,770 | 1,225,436 | 239,259 | 393,524 | 208,032 | 52,263 | 2,255,226 | 298,770 |
| At 31 December 2020 | 205,007 | - | 4,950 | 140,724 | 30,626 | 16,474 | 397,780 | 205,007 |

i. There were no capitalized borrowing costs related to the acquisition of property and equipment during the year.

ii. There were no capital commitment relating to property and equipment as at reporting data (2019: nil). (iii) There were no impairment loss on any of the class of property and equipment.

iii. There were no liens or encumbrances on the assets.

iv. There were transfer of assets which formed part of the investment in the new subsidiaries, Nigerian Exchange Limited and NGX Regulation Ltd.

## 23. Intangible assets

Reconciliation of carrying amount

**(b) The Group**

| *In thousands of naira* | **Goodwill** | **Purchased software** | **Total** |
|---|---|---|---|
| **Cost** | 61,784 | 2,827,200 | 2,888,984 |
| Balance as at 1 January 2019 | - | 40,893 | 40,893 |
| Acquisitions | 61,784 | 2,868,093 | 2,929,877 |
| Balance at 31 December 2019 | 61,784 | 2,868,093 | 2,929,877 |
| Balance as at 1 January 2020 | - | 99,346 | 99,346 |
| Acquisitions | 61,784 | 2,967,440 | 3,029,224 |
| Balance at 31 December 2020 | 57,148 | 2,522,806 | 2,579,954 |
| **Amortization and impairment losses** | - | 92,767 | 92,767 |
| Balance as at 1 January 2019 | 57,148 | 2,615,574 | 2,672,722 |
| Amortization for the year | 57,148 | 2,615,574 | 2,672,722 |
| Balance at 31 December 2019 | - | 114,570 | 114,570 |
| Balance as at 1 January 2020 | 57,148 | 2,730,144 | 2,787,292 |
| Amortization for the year | 4,636 | 252,520 | 257,155 |
| Balance at 31 December 2020 | 4,636 | 237,296 | 241,932 |
| **Carrying amounts** | 61,784 | 2,868,093 | 2,929,877 |
| At 1 January 2020 | 61,784 | 2,868,093 | 2,929,877 |
| At 31 December 2020 | - | 99,346 | 99,346 |

i. There were no capitalized borrowing costs related to the acquisition of intangible assets during the year. (ii) There were no capital commitment relating to intangible assets as at reporting data (2019: nil).
ii. There were no impairment loss on any of the class of intangible assets.
iii. There were no liens or encumbrances on the assets.
iv. Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in the year ended December 2020 (2019: nil).

**b) The Exchange**

| *In thousands of naira* | **Purchased software** | **Total** |
|---|---|---|
| **Cost** | | |
| Balance as at 1 January 2019 | 2,827,200 | 2,827,200 |
| Acquisitions | 40,893 | 40,893 |
| Balance at 31 December 2019 | 2,868,093 | 2,868,093 |
| Balance as at 1 January 2020 | 2,868,093 | 2,868,093 |
| Acquisitions | 99,346 | 99,346 |
| Disposals | - | - |
| Transfers/write-offs | (2,967,440) | (2,967,440) |
| Balance at 31 December 2020 | - | - |
| **Amortization and impairment losses** | | |
| Balance as at 1 January 2019 | 2,522,806 | 2,522,806 |
| Amortization for the year | 92,767 | 92,767 |
| Balance at 31 December 2019 | 2,615,574 | 2,615,574 |
| Balance as at 1 January 2020 | 2,615,574 | 2,615,574 |
| Amortization for the year | 114,570 | 114,570 |
| Transfers/write-offs | (2,730,144) | (2,730,144) |
| Balance at 31 December 2020 | - | - |
| **Carrying amounts** | | |
| At 1 January 2020 | 252,520 | 252,520 |
| At 31 December 2020 | - | - |

i. There were no capitalized borrowing costs related to the acquisition of intangible assets during the year. (ii) There were no capital commitment relating to intangible assets as at reporting data (2019: nil).
ii. There were no impairment loss on any of the class of intangible assets.
iii. There were no liens or encumbrances on the assets.
iv. Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in the year ended December 2020 (2019: nil).
v. There were transfer of assets which formed part of the investment in the new subsidiaries, Nigerian Exchange Limited and NGX Regulation Ltd.

## 24. Other Liabilities

| *In thousands of naira* | **Group 2020** | **Group 2019** | **Exchange 2020** | **Exchange 2019** |
|---|---|---|---|---|
| Accrued expenses | 940,070 | 979,923 | 919,987 | 978,443 |
| Sundry creditors (see note (a) below) | 258,873 | 559,022 | 258,688 | 557,778 |
| Deferred income | 166,032 | 102,625 | 152,624.0 | 90,191 |
| Value Added Tax & WHT payable | 161,407 | 189,341 | 157,011 | 186,226 |
| Donations payable | 254,314 | 254,314 | 254,314 | 254,314 |
| Others (see note (b) below) | 572,507 | 427,528 | 569,557 | 424,488 |
| Staff related liabilities (see note (c) below) | 58,761 | 63,549 | 58,761 | 63,549 |
| Total | 2,411,964 | 2,576,302 | 2,370,941 | 2,554,990 |

a) Sundry creditors include amounts payable to vendors, suppliers and service providers.
b) Included in the Other liabilities are amounts paid by members (dealing and listed entities) for which the Exchange is yet to identify the purpose of the payment.

c) Staff related liabilities comprises of PAYE, National Housing Fund (NHF) and staff related liabilities payable to the government.

## 25. Current tax liabilities

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Balance, beginning of the year | 46,286 | 171,225 | - | - |
| Prior year under/(over) provision | - | (98,249) | - | - |
| Charge for the year | 45,144 | 20,203 | - | - |
| Payment made during the year | (2,335) | (46,894) | - | - |
| Balance, end of the year | 89,095 | 46,286 | - | - |

## 26. Leases

### A. Leases as lessee (IFRS 16)

The Group leases office space and Land. The leases for the office space typically run for a period of 1 year, with an option to renew the lease after that date. Lease agreements are typically renegotiated every three years to reflect market rentals. The Lease for the land runs for a period of 90 years with an utilised lease period of 45 years as at the reporting date.
Information about leases for which the Group is a lessee is presented below.

### i. Right-of-use assets

The Right-of-use assets are all leased properties that do not meet the definition of investment property. The Leased properties are presented as property and equipment (see Note 22).

| *In thousands of naira* | Group 2020 | Group 2019 Restated* | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | 99,542 | 60,925 | 136,714 | 298,770 |
| Depreciation charge for the year | (52,580) | (44,695) | (169,419) | (162,056) |
| Additions to right-of-use assets | 95,290 | 83,312 | 237,712 | - |
| Derecognition of right-of-use assets | - | - | - | - |
| Balance at 31 December 2020 | 142,252 | 99,542 | 205,007 | 136,714 |

### ii. Lease Liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period: (see Note 22).

| *In thousands of naira* | Group 2020 | Group 2019 Restated* | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | 84,742 | 45,651 | 167,998 | 283,496 |
| Addition | 44,326 | 83,312 | 186,748 | - |
| | | 128,963 | | 283,496 |
| Accretion of interest | 5,721 | 3,451 | 5,075 | 27,597 |
| lease Payment | (1,008) | (47,672) | (167,998) | (143,095) |
| Balance at 31 December 2020 | 133,781 | - | 191,823 | 167,998 |

### iii. Amounts recognised in statement of income statement

| In thousands of naira | Group 2020 | Group 2019 Restated* | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **2020 - Leases under IFRS 16** | | | | |
| Interest on lease liabilities | 5,721 | 3,451 | 5,075 | 27,597 |
| Depreciation charge for the year | 52,580 | 44,695 | 169,419 | 162,056 |

**See Note 36*

| *iv. Amounts recognised in statement of cash flows*<br>*In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **Total cash outflow for leases** | (1,008) | (47,672) | (167,998) | (143,095) |

### B. Leases as lessor

The Group leases out its property consisting of its owned commercial properties (see Note 22). All leases are classified as operating leases from a lessor perspective.

The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 16 sets out information about the operating leases of its property.

Rental income recognised by the Group during 2020 was N92.7 million (2019: N69.5 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| *In thousands of naira* | Group 2020 | Group 2019 |
|---|---|---|
| Less than one year | 92,732 | 69,579 |
| **Total** | 92,732 | 69,579 |

### Retirement benefit obligation

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **Recognised liability for defined contribution** | 38,484 | - | 38,484 | - |
| Movement in cashflow statement | 38,484 | - | 38,484 | - |
| Recognised liability for defined benefit obligations (see note (a) below) | 544,582 | 477,034 | 544,582 | 477,034 |

*Movement in defined benefit obligations*

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Opening balance | 477,034 | 368,344 | 477,034 | 368,344 |
| Current service charge & interest cost: Long term incentive | 38,806 | 79,304 | 38,806 | 79,304 |
| Current service charge & interest cost: Long service award | 47,430 | 39,096 | 47,430 | 39,096 |
| Net actuarial (gain)/loss | (4,767) | (9,710) | (4,767) | (9,710) |
| Payment made during the year | (13,921) | - | (13,921) | - |
| Closing balance | 544,582 | 477,034 | 544,582 | 477,034 |
| Movement in cashflow statement | 86,236 | 118,400 | 86,236 | 118,400 |

### a) Defined benefit obligations

The Exchange operated a non-contributory, unfunded defined benefit scheme for its staff gratuity scheme until 16 March 2011 when the Council of the Nigerian Stock Exchange resolved to terminate the staff gratuity scheme with effect from 31 March, 2011. Final entitlements due to members of staff that had

spent a minimum of five years by 31 March, 2011 was determined and payments was supervised by Gratuity Committee. However, a revised long-term incentive (LTI[6]) scheme was re-opened in 2015 for certain eligible employees. The entitlement for the qualifying employee ranges from 15% -17% of their annual total emolument in the first 5-year of service and a maximum of 25%-35% for 10-years of service.
On 1 August 2017, management established a long service recognition initiative which is designed to recognise, appreciate and celebrate the contributions of long tenured employees, at the attainment of milestone years during their work lifespan with the company. The policy became effective in 2018. See note 5.10 (iii).

**b) Actuarial assumptions**

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

| | **2020** | **2019** |
|---|---|---|
| Discount rate | 7.15% | 10.30% |
| Salary increase rate | 6.00% | 10.00% |

The rate of mortality assumed for members in the Scheme are based on A67/70 Ultimate table published by the Institute of Actuaries of United Kingdom.
For members in active service as at the valuation date, the projected unit credit method of valuation as required under the IFRS has been adopted.

**c) Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

| | **31 December 2020** | | **31 December 2019** | |
|---|---|---|---|---|
| *In thousands of naira* | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Withdrawal rate (5% movement) | (53,731) | 87,167 | (51,488) | 84,750 |
| Mortality rate (20% movement) | (1,048) | 1,057 | (981) | 990 |
| Salary increase (10% movement) | 26,721 | (22,553) | 25,403 | (21,494) |
| Discount rate (3% movement) | (27,633) | 37,483 | (25,885) | 35,046 |

**d) Expected maturity analysis of post-employment benefits:**

| *In thousands of naira* | **Between 1-2 years** | **Between 2-5 years** | **Over 5 years** | **2020 Total** |
|---|---|---|---|---|
| Present value of the defined benefit obligation | 333,726 | 5,532 | 205,324 | 544,582 |
| | 333,726 | 5,532 | 205,324 | 544,582 |

| | **Between 1-2 years** | **Between 2-5 years** | **Over 5 years** | **2020 Total** |
|---|---|---|---|---|
| Present value of the defined benefit obligation | 297,122 | 9,130 | 170,782 | 477,034 |
| | 297,122 | 9,130 | 170,782 | 477,034 |

[6] Subsequent to the 2020 audit, and consequent to the demutualization of the Exchange, the LTI scheme has been wound up and a new Employee Share Ownership Scheme is being developed.

## 28. Provision

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| Balance as at 1 January 2019 | 357,276 | 357,276 | 357,276 | 357,276 |
| Provision made during the year | 16,267 | - | 16,267 | - |
| Balance as at 31 December 2020 | 373,543 | 357,276 | 373,543 | 357,276 |

## 29. Deferred tax liability

Deferred tax liability comprises of:

| *In thousands of naira* | Group 2020 | Group 2019 | Exchange 2020 | Exchange 2019 |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Balance, beginning of the year | 213,761 | 192,332 | - | - |
| Deferred tax liability recognised by subsidiary | 25,122 | 21,429 | - | - |
| Balance, end of the year | 238,882 | 213,761 | - | - |

### a) Movements in temporary differences during the year

| *In thousands of naira* | Opening balance | Recognised in profit or loss | Recognised in equity | Closing balance |
|---|---|---|---|---|
| **For the year ended 31 December 2019** | 192,332 | - | - | 192,332 |
| Revaluation surplus | - | 21,429 | - | 21,429 |
| Charge during the year | 192,332 | 21,429 | - | 213,761 |
| **Total** | 192,332 | - | - | 192,332 |

| *In thousands of naira* | Opening balance | Recognised in profit or loss | Recognised in equity | Closing balance |
|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | |
| Revaluation surplus | 213,761 | - | - | 213,761 |
| Charge during the year | - | 25,122 | - | 25,122 |
| **Total** | 213,761 | 25,122 | - | 238,882 |

### b) Recognised deferred tax liability is attributable to the following:

**Group**

| *In thousands of naira* | Liabilities |
|---|---|
| **For the year ended 31 December 2019** | |
| Revaluation surplus on Investment Property | 213,761 |
| **Net deferred tax liability** | 213,761 |
| **For the year ended 31 December 2020** | |
| Revaluation surplus on Investment Property | 238,882 |
| **Net deferred tax liability** | 238,882 |

## 30. Equity

### a) Accumulated funds

| *In thousands of naira* | Group Accumulated Funds | Total | Exchange Accumulated Funds | Total |
|---|---|---|---|---|
| Balance at 1 January 2020 | 28,047,854 | 28,047,854 | 19,034,188 | 19,034,188 |
| Surplus for the year | 1,838,994 | 1,838,994 | 1,062,078 | 1,062,078 |
| Balance at 31 December 2020 | 29,886,848 | 29,886,848 | 20,096,266 | 20,096,266 |

Accumulated funds are the funds carried forward recognised income net of expenses plus current year surplus.

| ***In thousands of naira*** | Group Accumulated Funds | Total | Exchange Accumulated Funds | Total |
|---|---|---|---|---|
| Balance at 1 January 2020 | 25,789,805 | 25,789,805 | 17,510,336 | 17,510,336 |
| Surplus for the year (restated balance) | 2,258,048 | 2,258,048 | 1,523,852 | 1,523,852 |
| Balance at 31 December 2020 | 28,047,854 | 28,047,854 | 19,034,188 | 19,034,188 |

### b) Other reserves

Other reserves represent fair value gain recognised on investment at FVOCI, Equity accounted investee-share of OCI on investment at FVOCI and actuarial gains/loss on defined benefit obligations.

| *In thousands of naira* | Fair value reserve | Actuarial valuation reserve Group | Total | Fair value reserve | Actuarial valuation reserve Group | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 431,133 | (53,109) | 378,024 | - | (53,109) | (53,109) |
| Fair value changes in investment securities(See note 19b(iii)) | 1,018,992 | | 1,018,992 | - | - | |
| Share of OCI in Equity accounted Investee-CSCS(See note 20(i)) | (12,627) | | (12,627) | - | - | |
| Share of OCI in Equity accounted Investee-CSCS (See note 20(i)) | - | 239 | 239 | - | - | |
| Movement in Actuarial gain/(loss) | - | 4,767 | 4,767 | - | 4,767 | 4,767 |
| Balance at 31 December 2020 | 1,437,497 | (48,103) | 1,389,394 | - | (48,342) | (48,342) |

| *In thousands of naira* | Fair value reserve | Actuarial valuation reserve Group | Total | Fair value reserve | Actuarial valuation reserve Group | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 190,567 | (62,819) | 127,748 | - | (62,819) | (62,819) |
| Fair value changes in investment securities(See note 19 b (iii)) | 156,012 | | 156,012 | - | - | |
| Share of OCI in Equity accounted Investee-CSCS(See note 20(i)) | 84,554 | | 84,554 | - | - | |
| Movement in Actuarial gain/(loss) | - | 9,710 | 9,710 | - | 9,710 | 9,710 |
| Balance at 31 December 2019 | 431,133 | (53,109) | 378,024 | - | (53,109) | (53,109) |

## 31. Contingent liabilities and commitments

### a) Legal proceedings

The Exchange is involved in 8 claims and litigation. These claims, most of which arose in the normal course of business, are being contested by the Exchange. As at 31 December 2020, estimated contingent liabilities stood at N13,630,708,802 (2019:N13,630,708,802). Based on legal advice, management expects some of the outcome of the litigations to have minimal effect on the Group's financial position, hence, a provision of N373,543,090 (2019: N357,276,317) for claims and litigations have been recognised in the financial statements.

### b) Capital commitments

The Group had no capital commitments in respect of authorized and contracted capital projects as at 31 December 2020.

## 32. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. From the Exchange's perspective, this definition includes key management personnel and associates. As at the reporting date, the Exchange had a number of transactions with related parties in the normal course of business. These include rent paid to NGX Real Estate Limited on the property occupied by the Exchange and payment of other expenses on behalf of the subsidiaries.

A summary of related party transactions during the year is shown below:

### a) Intercompany receivables

| *In thousands of naira* | Note | 2020 | 2019 |
|---|---|---|---|
| NGX Real Estate Limited | 17 | 728,434 | 868,671 |
| | | 728,434 | 868,671 |

### b) Intercompany expenses

| *In thousands of naira* | Note | 2020 | 2019 |
|---|---|---|---|
| Rent and service charge paid to NGX Real Estate Limited | | 238,557 | 171,749 |
| | | 238,557 | 171,749 |

### c) Transactions with associate companies

| *In thousands of naira* | Note | 2020 | 2019 |
|---|---|---|---|
| Investment in CSCS | 20 | 1,420,653 | 1,420,653 |
| Dividend received from CSCS | 10 | 1,255,218 | 1,050,049 |
| Investment in NG Clearing | 20 | 1,736,687 | 736,687 |

### d) Compensation to key management personnel during the year comprised:

| *In thousands of naira* | Note | 2020 | 2019 |
|---|---|---|---|
| Short-term benefits | | 423,689 | 858,394 |
| Post-employment benefits (pension and gratuity) | | 38,806 | 79,304 |
| Total | | 462,495 | 937,698 |

### e) Balance on the ECL impairment losses on the related party receivables are shown below:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | ECL Impairment on Receivable | Impairment on investment | Total | Impairment on Receivable | Impairment on investment | Total |
| NSE Consult Limited (see note 17 (b) ) | 626,989 | 1,000 | 627,989 | 626,989 | 1,000 | 627,989 |
| Coral Properties Limited (see note 17 (b)) | 20,596 | 72,000 | 92,596 | 20,433 | 72,000 | 92,433 |
| NGX Real Estate Limited (see note 17 (b)) | 328,109 | - | 328,109 | 351,903 | - | 351,903 |
| NSE Nominees Limited (see note 17 (b)) | - | 500 | 500 | 1,937 | 500 | 2,437 |
| | 975,695 | 73,500 | 1,049,194 | 1,001,262 | 73,500 | 1,074,762 |

## 33. Group entities

| **Significant subsidiaries** | **Country of incorporation** | **Nature of business** | **Ownership Interest** | **Non-Controlling Interest** |
|---|---|---|---|---|
| NGX Real Estate Limited | Nigeria | Property letting and | 100% | 0% |
| Coral Properties Limited | Nigeria | Real estate development | 100% | 0% |
| NSE Consult Limited | Nigeria | Financial advisers & consultants | 99.8% | 0.2% |
| NSE Nominees Limited | Nigeria | Acts as a nominee | 83.3% | 16.7% |
| Nigerian Exchange Limited | Nigeria | Capital Market | 99.9% | 1% |
| NGX Regulation Limited | Nigeria | Regulatory services | 99.9% | 1% |

## 34. Cash flow workings

| Cash flow workings | Group | | Exchange | |
|---|---|---|---|---|
| *In thousands of naira* | **2020** | **2019** | **2020** | **2019** |
| *(i)* **Changes in intercompany receivables** | 2020 | 2019 | 2020 | 2019 |
| Opening balance | - | - | 868,671 | 2,052,107 |
| Impairment (charges)/reversal | - | - | 25,568 | (18,831) |
| Closing balance | - | - | (728,434) | (868,671) |
| | - | - | 165,805 | 1,164,605 |
| Adjustment for non-cash item: | | | | |
| Reclassification from intercompany receivables | - | - | - | (1,357,291) |
| Change during the year | - | - | 165,805 | (192,687) |
| *(ii)* **Changes in trade and other receivables** | | | | |
| Opening balance | 229,550 | 1,282,058 | 200,383 | 1,172,910 |
| Less impairment charges | (59,123) | (63,215) | (59,108) | (63,215) |
| Closing balance | (862,045) | (229,550) | (847,600) | (200,383) |
| Change during the year | (691,618) | 989,293 | (706,326) | 909,312 |
| *(iii)* **Changes in prepayments** | | | | |
| Opening balance | 301,827 | 291,787 | 301,802 | 218,637 |
| Closing balance | (152,032) | (301,827) | (149,494) | (301,802) |
| Change during the year | 149,795 | (10,040) | 152,307 | (83,164) |
| *(iv)* **Changes in other liabilities** | | | | |
| Opening balance | 2,933,578 | 2,420,642 | 2,912,266 | 2,408,695 |
| Effect of unrealized loss on foreign currency transaction | 39,535 | - | 39,535 | - |
| Closing balance | (2,785,507) | (2,933,578) | (2,744,484) | (2,912,266) |
| Change during the year | 187,606 | (512,936) | 207,317 | (503,571) |
| *(v)* **Interest received** | | | | |
| Interest income | 1,258,388 | 1,732,102 | 1,257,121 | 1,732,046 |
| Interest received on prior period highly liquid investment | 12,677 | 11,743 | 11,768 | 11,253 |
| Interest receivable on placements | (3,835) | (12,677) | (3,835) | (11,768) |
| Interest receivable on bonds | (262,950) | (111,092) | (262,950) | (111,092) |
| | 1,004,281 | 1,620,077 | 1,002,105 | 1,620,439 |
| *(vi)* **Dividend received** | | | | |
| Dividend income | 1,255,218 | 1,050,049 | 1,255,218 | 1,050,049 |
| | 1,255,218 | 1,050,049 | 1,255,218 | 1,050,049 |
| *(vii)* **Purchase of investments** | | | | |
| Opening balance of investments | 11,895,368 | 10,293,020 | 11,249,305 | 10,029,367 |
| Fair value changes | 1,018,992 | 156,012 | - | - |

| | | | | |
|---|---|---|---|---|
| Interest receivable placement and bonds | 254,107 | 112,026 | 255,016 | 111,607 |
| Effect of unrealized loss on foreign currency transaction | 82,137 | - | 82,137 | - |
| ECL impairment on treasury bills and bonds | (903) | (295) | (903) | (295) |
| Closing balance of total investments | (10,183,145) | (11,895,368) | (8,707,761) | (11,249,305) |
| Change during the year | 3,066,555 | (1,334,605) | 2,877,795 | (1,108,626) |

*(viii)* **Proceeds from the sale of property and equipment**

| | | | | |
|---|---|---|---|---|
| Gain on disposal of property and equipment | 4,631 | 238,854 | 4,631 | 25,962 |
| Cost eliminated on disposal | 40,008 | 101,575 | 40,007 | 130,721 |
| Accumulated depreciation eliminated on disposal | (27,970) | (117,713) | (27,740) | (117,713) |
| gain on disposal of investment property | - | (233,100) | - | (20,209) |
| **Proceeds from the sale of property and equipment** | 16,897 | (10,612) | 16,899 | 18,533 |

*(ix)* **Proceeds from the sale of Investment Property**

| | | | | |
|---|---|---|---|---|
| Gain on disposal of investment property | - | 233,100 | - | 20,209 |
| Cost eliminated on disposal | - | 1,684,596 | - | 1,897,487 |
| Impairment | - | (540,196) | - | (540,196) |
| Proceeds from the sale of investment property | - | 1,377,500 | - | 1,377,500 |

*(x)* **Additional investment in associates**

| | | | | |
|---|---|---|---|---|
| Opening balance | 10,689,986 | 9,024,856 | 2,157,340 | 1,058,304 |
| Closing balance | (12,425,595) | (10,689,986) | (3,157,340) | (2,157,340) |
| | (1,735,610) | (1,665,130) | (1,000,000) | (1,099,036) |
| Adjustment: | | | | |
| Share of profit from joint venture | 2,003,217 | 1,531,589 | - | - |
| Dilution effect | - | - | - | - |
| Dividend received | (1,255,218) | (1,050,049) | - | - |
| Share of OCI from Equity-accounted | (12,389) | 84,554 | - | - |
| Additional investment in joint venture | (1,000,000) | (1,099,036) | (1,000,000) | (1,099,036) |

*(xii)* **Proceeds from the sale of Investment Property**

| | | | | |
|---|---|---|---|---|
| Gain on disposal of investment property | - | 233,100 | - | 20,209 |
| Cost eliminated on disposal | - | 1,684,596 | - | 1,897,487 |
| Impairment | - | (540,196) | - | (540,196) |
| Proceeds from the sale of investment property | - | 1,377,500 | - | 1,377,500 |

*(xiii)* **Net foreign exchange differences**

| | | | | |
|---|---|---|---|---|
| Exchange gain | 134,483 | 1,850 | 134,919 | 1,850 |
| Exchange loss | (40,330) | (1,825) | (40,330) | (1,825) |

| | | | | |
|---|---|---|---|---|
| Net foreign exchange differences | 94,153 | 25 | 94,589 | 25 |

**35. Subsequent events**

On the 10th of March 2021, the parent company, Nigerian Stock Exchange, received final approvals of its demutualised plan from the Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC) respectively.

A demutualised NSE will enable the stock exchange become a company limited by shares; having share capital or shareholders, a board of directors, management that is distinct and independent from the board and subject to rules and regulations of company operations in Nigeria. Under the demutualisation plan, a new non-operating holding company, the Nigerian Exchange Group plc (NGX Group) has been created. The Group will have three operating subsidiaries – Nigerian Exchange Limited (NGX Exchange), the operating exchange; NGX Regulation Limited (NGX REGCO), the independent regulatory arm; and NGX Real Estate Limited (NGX RELCO), the real estate company – forming the Group.

All the entities have been duly registered at the Corporate Affairs Commission ("CAC"). At the completion of the demutualised plan, the securities exchange license of the current Exchange would be transferred to Nigerian Exchange Limited, a wholly owned subsidiary of the NGX Group, which would carry on the securities exchange business. Another wholly owned subsidiary, NGX Regulation Limited, would be licensed by the Securities and Exchange Commission (SEC), to carry out regulatory services.

The Group considers this approval to be a non-adjusting subsequent event. There were no other events after reporting date requiring adjustment of, or disclosure in, these consolidated and separate financial statements.

**36. Restatement of prior year amount**

During 2020, the Group discovered that a lease obligation had not been recognised in 2019. As a consequence, the asset and related liabilities have been understated as well as the lease related depreciation and interest expense has been understated. The discovery of the lease obligations necessitated the reclassification of land to Building which had been previously separated. The prior year amount have been corrected by restating each of the affected financial statement line items for 2019. The Property and lease liabilities were impacted with the recognition of ROU asset and related lease liabilities while the operating expense and depreciation were impacted with the interest expense and liabilities related to the ROU asset. The tax expense was also restated. The following tables summarise the impacts on the Group's consolidated financial statements.

**i. *Consolidated statement of financial position***

| 1-Dec-19 | | *Impact of correction of prior year balances* | | |
|---|---|---|---|---|
| *In thousands of Naira* | **Notes** | **As previously reported** | **Adjustments** | **As restated** |
| **Total Current Assets** | | 12,081,280 | | 12,081,280 |
| Property and equipment | a | 4,309,602 | 81,750 | 4,391,352 |
| Others | | 15,708,646 | - | 15,708,646 |
| **Total Asset** | | 32,099,528 | 81,750 | 32,181,278 |
| Lease liabilities | a | 1,008 | 83,734 | 84,742 |
| Current Tax liabilities | b | 47,811 | (1,525) | 46,286 |
| Deferred tax liabilities | b | 201,395 | 12,365 | 213,760 |

| | | | |
|---|---|---|---|
| Others | 3,410,612 | - | 3,410,612 |
| **Total Liabilities** | 3,660,826 | 94,574 | 3,755,400 |
| Accumulated funds | 28,060,679 | (12,825) | 28,047,854 |
| Other reserves | 378,024 | - | 378,024 |
| **Total Equity** | 28,438,703 | (12,825) | 28,425,878 |
| **Total equity and liabilities** | 32,099,528 | | 32,181,278 |

**ii. Consolidated statement of profit or loss and OCI**

| **31-Dec-19**<br>*In thousands of Naira* | Notes | **As previously reported** | **Adjustments** | **As restated** |
|---|---|---|---|---|
| Operating expenses | a | (2,777,924) | (422) | (2,778,345) |
| Depreciation | a | (384,003) | (1,562) | (385,565) |
| Income tax expense | b | (30,925) | (10,841) | (41,766) |
| Others | | 5,494,649 | - | 5,494,649 |
| **Operating Surplus before tax** | | 2,301,798 | (12,825) | 2,288,973 |
| **Total comprehensive income** | | 2,521,150 | (12,825) | 2,508,325 |

**iii. Consolidated statement of Cashflow**

| **31-Dec-19**<br>*In thousands of Naira* | **As previously reported** | **Adjustments** | **As restated** |
|---|---|---|---|
| Surplus after tax | 2,270,873 | (12,825) | 2,258,048 |
| Income tax expense | 30,925 | 10,841 | 41,766 |
| Interest on Lease liabilities | 3,029 | 422 | 3,451 |
| others | (1,496,977) | - | (1,496,977) |
| Operating cash flow | 807,850 | | 807,850 |
| Cashflow from investing activities | 799,313 | (83,312) | 716,001 |
| Cashflow from financing activities | (2,021) | 83,312 | 81,291 |

a) The Property and lease liabilities were impacted with the recognition of ROU asset and related lease liabilities while the operating expense and depreciation were impacted with the interest expense and liabilities related to the ROU asset.
b) Tax expense was restated

## 16 INCORPORATION AND SHARE CAPITAL HISTORY

The changes in the authorised ordinary share capital of the Company since incorporation are reflected in tabular form as follows:

| Year | Authorized Share Capital (₦) | | Issued and Fully Paid Up (₦) | |
|---|---|---|---|---|
| | Increase | Cumulative | Increase | Cumulative |
| 2021 | ₦1,250,000,000 | ₦1,250,000,000 | - | ₦982,057,959 |

## 17 SHAREHOLDING STRUCTURE

As at July 30, 2021, the 1,964,115,918 Ordinary Shares in the share capital of the Company, are beneficially held by 938 shareholders, none of which held up to 5%.

## 18 DIRECTORS' INTERESTS

The Directors and their respective shareholdings are as recorded in the register of members as at the date of this Memorandum and set out below:

| | Direct | | Indirect | | |
|---|---|---|---|---|---|
| Name of Director | Ordinary Shares Held | Total % of Holding | Ordinary Shares Held | Total % of Holding | Indirect Holding Entities |
| Otunba Abimbola Ogunbanjo | 2,441,274 | 0.12% | nil | nil | nil |
| Mr. Oscar N. Onyema, OON | nil | nil | nil | nil | nil |
| Dr. Umaru Kwairanga | 3,053,924 | 0.16% | 3,020,640 | 0.15% | Finmal Finance Company Limited |
| Mrs. Fatimah Bintah Bello-Ismail | nil | nil | nil | nil | nil |
| Mr. Oluwole Adeosun | nil | nil | 5,632,830 | 0.29% | Chartwell Securities Limited |
| Mr. Chidi Agbapu | nil | nil | 6,007,884 | 0.31% | Planet Capital Limited |
| Mr. Patrick Ajayi | nil | nil | 6,007,884 | 0.31% | WCM Capital Limited |
| Mr. Apollos Ikpobe | nil | nil | nil | nil | nil |
| Professor Enase Okonedo | nil | nil | nil | nil | nil |
| Mrs. Ojinika Olaghere | nil | nil | nil | nil | nil |
| Dr. Okechukwu Itanyi | nil | nil | nil | nil | nil |

## 19 RELATED PARTY TRANSACTIONS

Nigerian Exchange Group Plc enters into a number of transactions with related parties in the normal course of business. All of these transactions are executed on an "arm's length" basis and do not pose any conflict of interest.

## 20 INDEBTEDNESS

As at the date of this Listing Memorandum, the Company had no borrowings.

## 21 SUBSIDIARIES AND ASSOCIATED COMPANIES

The summarised details of the Company's subsidiaries[7] and associated companies as at the date of this Memorandum are set out below:

| | Registration Number | Date and Place of Incorporation | Principal Place of Business | Number of Subsidiary's Ordinary Shares in Issue | Effective Date of Becoming a Subsidiary/ Associate | NGX Group's Shareholding in the Subsidiary |
|---|---|---|---|---|---|---|
| Nigeria Exchange Limited | RC 1603214 | July 22, 2019 Nigeria | 2/4 Customs Street Lagos | 1,000,000,000 | July 22, 2019 | 100.0% |
| NGX Regulation Limited | RC 1603274 | July 22, 2019 Nigeria | 2/4 Customs Street Lagos | 1,000,000,000 | July 22, 2019 | 100.0% |
| NGX Real Estate Limited | RC 13232 | June 29, 1974 Nigeria | 2/4 Customs Street Lagos | 1,750,003 | February 10, 1986 | 100.0% |
| Central Securities Clearing Systems Plc | RC 201018 | July 29, 1992 Nigeria | 2/4 Customs Street Lagos | 5,000,000,000 | July 29, 1992 | 29.2% |
| NG Clearing Limited | RC 1337661 | May 24, 2016 | 8th Floor, UBA House, Marina Lagos | 607,815,572 | May 24, 2016 | 27.7% |

[7] Other subsidiaries include NSE Consult Limited, Coral Properties Limited and NSE Nominees Limited which are currently being wound up

## 22 EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Below are relevant extracts from the Company's Memorandum and Articles of Association:

**MEMORANDUM OF ASSOCIATION**

1. The objects for which the Company is established are:

   (a) To carry on the business of a holding and investment company and to acquire by purchase, lease, concession, grant, license or otherwise such businesses, options, rights, privileges, lands, buildings, leases, underleases, stocks, shares, debentures, debenture stock, bonds, obligations, securities, reversionary interests, annuities, policies of assurance and other property and rights and interests in property as the Company shall deem fit and generally to hold, manage, develop, lease, sell or dispose of the same; and to vary any of the investments of the Company, to act as trustees of any deeds constituting or securing any debentures, debenture stock or other securities or obligations; to establish, carry on, develop and extend investments and holdings and to sell, dispose of or otherwise turn the same to account and to coordinate the policy and administration of any companies of which the Company is a member or which are in any manner controlled by or connected with the Company.

   (b) To exercise and enforce all rights and powers conferred to or incidental upon the ownership of any shares, stock obligations or other securities acquired by the Company including without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of such proportion of the issued or nominal shares thereof and to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested upon such terms as may be thought fit.

   (c) To acquire and undertake the whole or any part of the business, property, goodwill and assets of any person, firm or company carrying on or proposing to carry on any of the businesses which the Company is authorised to carry on, or which can be conveniently carried on in connection with the same or may seem calculated directly or indirectly to benefit the Company.

   (d) To invest any monies of the Company in such investments and in such manner as may from time to time be determined, and to hold, sell or deal with such investments and generally to purchase, take on lease or in exchange or otherwise acquire any real and personal property and rights or privileges.

   (e) To subscribe for, either conditionally or otherwise, take, purchase or otherwise acquire and hold shares or other interests in, or securities of any other company having objects altogether or in part similar to those of the Company or carrying on any business capable of being carried on so as, directly or indirectly, to benefit the Company.

   (f) To acquire and manage all properties which its subsidiaries require for their operations such as real estate, patents, trademarks, stocks and other assets.

(g) To employ the funds of the Company in the development and expansion of the business of the Company and all or any of its subsidiaries or associated companies and in any other company whether now existing or hereafter to be formed and engaged in any like business of the Company or any of its subsidiaries or associated companies or of any other industry ancillary thereto or which can conveniently be carried on in connection therewith.

(h) To provide outsourced services such as human resources, risk management measures, internal control and technical expertise as may be required by its subsidiaries or associated companies for the achievement of the goals and objectives of the subsidiaries, associated companies and the group.

(i) To lend money to such persons or companies either with or without security and upon such terms as may seem expedient.

(j) To purchase or acquire, hold, trade and further to dispose of any right, stake or controlling interest in the shares, stocks, debentures, debenture stock, bonds, obligations or securities of any of its subsidiaries or associated companies or of any other industry.

(k) To serve as the vehicle through which the Company or any of its subsidiaries may raise capital for their activities if and when they so require.

(l) To invest and deal with the moneys of the Company or any of its subsidiaries or associated companies thereto not immediately required in such manner as may from time to time be determined and to hold or otherwise deal with any investment made by the Company or any of its subsidiaries or associated companies.

(m) To borrow and raise money in any manner for the purpose of any business of the Company or any of its subsidiaries or associated companies in which any of the entities are interested and to secure the repayment of any money borrowed, raised or owing by mortgage, charge, standard security, lien or other security upon the whole or any part of their property or assets (whether present or future).

(n) To carry on through any of its subsidiaries, any activity which the Company is authorised to carry on and to make any arrangements whatsoever with such entity (including any arrangements for taking the profits or bearing the losses of any such activities) as the Directors of the Company may think fit.

(o) To enter into any arrangement with any Government or authority including a federal, state or local government, on behalf of the Company or any of its subsidiaries thereto that may seem conducive to their objects and to obtain from any such government or authority any rights, privileges and concessions, and any authorities, permits, licenses and registrations required by law, or which it may think it desirable to obtain, and to carry out, exercise and comply with any such arrangements, rights, privileges, concessions, permits and licenses on behalf of the Company or its subsidiaries.

(p) To promote and establish or join in the promotion and establishment in any part of the world of companies, bodies, firms, associations and joint ventures, whether incorporated with limited or unlimited liability or unincorporated, for the purpose of carrying out any of the objects of exercising any power which the Company or any of its subsidiary or associated companies can carry out or exercise.

(q) To do all such things as may be considered by the Board to be incidental or conducive to the attainment of the above objects.

2. The Company is a Public Company.

The liability of the members of the Company is limited by shares.

The authorised share capital of the Company is One Billion, Two Hundred and Fifty Million Naira (₦1,250,000,000) divided into 2,500,000,000 ordinary shares of ₦ 0.50 each.

**ARTICLES OF ASSOCIATION**

1. The following Articles (Articles 1.1 to 1.10) (as amended by the Companies and Allied Matters Act 2020 (the "**CAMA 2020**") derive from and are in accordance with Part I of Table A in Schedule 1 of the Companies and Allied Matters Act, Cap C20 Laws of the Federation of Nigeria 2004 (Regulations for the Management of a Public Company Limited by Shares) which remain valid by virtue of Section 869(2) of CAMA 2020.

**CLASSES OF SHARES**

1.1 The Company may from time-to-time issue classes of shares. It shall be the responsibility of the directors to determine the classes of shares to be issued. All the rights or restrictions attached to each particular class of shares shall be specified in the terms of issue but such rights may at any time be varied in accordance with the provisions of section 141 of the Act.

**COMMISSIONS AND BROKERAGE**

1.2 The Company may exercise the powers of paying commissions conferred by section 131 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

1.3 The Company may also on any issue of shares pay such brokerage as may be lawful.

**ALTERATION OF CAPITAL**

1.4 The Company may from time to time by ordinary resolution effect an alteration of its share capital in any of the ways set out in section 100 of the Act.

1.5Subject to the provisions of the Act on reduction of capital, the Company may, whenever it considers it expedient to do so, by special resolution reduce its share capital, any capital redemption fund or any share premium account.

**MEETINGS**

1.6 The annual general meeting shall be held at such time and place as the directors shall appoint.

1.7 The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he is not present within thirty minutes after the time appointed for the holding of the meeting or is unwilling to act, the directors present shall elect one of their number to be chairman of the meeting.

1.8 If at any meeting no director is willing to act as chairman or if no director is present within thirty minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be chairman of the meeting.

## VOTING

1.9 No member shall be entitled to vote at any general meeting unless all calls or other sums payable by him in respect of shares in the company have been paid.

## NOTICES

1.10 A notice may be given by the Company to any member either personally or by sending it by post to him or to his registered address, or (if he has no registered address within Nigeria) to the address, if any, within Nigeria supplied by him to the Company for the giving of notice to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected at the expiration of seven days after the letter containing the same is posted.

## COMPOSITION OF THE BOARD OF DIRECTORS

1.11 The governance of the Company shall be vested in the Board, which shall consist of a minimum of five (5) Directors and a maximum of thirteen (13) Directors comprising of a Chairman, Executive, Non-executive and Independent Directors.

1.12 The Board shall have the power to determine the balance of its composition with respect to the number of Executive, Non-Executive and Independent Directors, and in so doing shall comply with Applicable Law.

1.13 Representatives of a corporate body may be nominated to the Board to represent the corporate body on the Board and the corporate body may, with the consent of the Board, from time to time change the person(s) so representing them.

1.14 An Independent Director shall be eligible to serve for a maximum period of 9 (nine) years made up of three terms of 3 (three) years each. If at the date of any Annual General Meeting an Independent Director has held office for the term stated in his contract or the maximum term allowed by these Articles such Independent Director shall retire at such meeting, either as one of the retiring directors or additionally thereto.

1.15 The Managing Director and Executive Directors shall not be required to retire by rotation as prescribed by Section 259 of the Act (or as amended, replaced or reenacted) and shall retire based on the term prescribed by their contracts with the Company.

1.16 If at the date of any Annual General Meeting, any Director who by these Articles has prescribed terms to hold office has held office for the term allowed by these Articles or stated in his contract, such Director shall retire at such meeting, either as one of the retiring directors or additionally thereto.

**QUORUM FOR BUSINESS OF THE BOARD**

1.17 The quorum of the Board for the transaction of business shall be fixed by the Board and until so fixed otherwise shall be one-third of the total number of Directors, and where the number of Directors is not a multiple of three, then the quorum shall be one-third of the total number of Directors approximated to the nearest higher whole number.

1.18 The Board shall have the power to appoint new Directors to fill any casual vacancy, which may arise from circumstances such as death, resignation, retirement, removal or contract expiration. The remaining Directors shall have power to elect new Directors to fill the vacancies, provided that the appointment of persons so elected to fill the vacancies shall be subject to ratification at the next Annual General Meeting.

**MEETINGS OF THE BOARD**

1.19 Meetings of the Board shall be held on such dates and at such times and places as the Board shall from time to time determine, provided that the first meeting of the Board shall be held not later than six (6) months after the Conversion Date. Provided that subsequent Board meetings shall be held at least once every quarter.

**NOTICES AND CONDUCT OF MEETINGS**

1.20 Notice of a Board and Committee meeting together with the relevant documents shall be given to each Director and member of the Committee at least 7 (seven) days prior to the appointed date for the meeting by letter, electronic mail, fax or any other electronic means. Notwithstanding the foregoing, Board or Committee meetings may be convened by shorter notice provided all the Directors agree in writing.

1.21 Any meeting of the Directors or a Committee may be held in such manner and place as the Directors (in the case of Directors' meetings), or the Committee members (in the case of Committee meetings), may deem expedient e.g. by way of teleconference, video-conference, Skype or such other electronic means or other means as are available or may be developed in future. Any such meeting will be recorded as held at the location where the Chairman participated in the meeting.

1.22 Directors and members of Committees who attend meetings of the Board or its Committees by teleconference, video-conference, Skype or such other electronic means will be regarded as being present in such meeting for the purpose of quorum, voting and all other purposes.

**POWERS OF THE BOARD**

1.23 The Board shall appoint the Managing Director of the Company who shall superintend over the general day to day working of the Company and shall be answerable to the Board.

1.24 The Board shall appoint such other Executive Directors as may in their opinion be required for the due conduct of the business of the Company, who shall perform such functions as may be determined by the Board from time to time and who shall be answerable to the Managing Director.

1.25 The Board shall provide remuneration for the Managing Director and Executive Directors appointed by them.

1.26 The Managing Director and other Executive Directors shall be members of the Board and shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in determining the retirement by rotation of Directors.

1.27 Notwithstanding the provisions of their respective contracts of employment, the Managing Director or any Executive Director may also be removed from office before the expiration of his term of office in accordance with the provisions of Applicable Law and the terms of their contract.

1.28 The Board may appoint any person to any office or employment having a designation or title including the word “director” or attach to any existing office or employment with the Company such a designation or title and may terminate any such appointment or the use of any such designation or title. The inclusion of the word ‘director’ in the designation or title of any such office or employment shall not imply that the holder is a director of the Company, and the holder shall not thereby be empowered in any respect to act as, or be deemed to be, a director of the Company for any of the purposes of these Articles or the Act.

1.29 The Board may delegate any of its powers (either stated in the Articles or any provision of the Act or any other Applicable Law) to the Managing Director or any other Executive Director or the Management or Committees consisting of such member or members and individuals as they think fit, and they shall in the exercise of the powers so delegated conform to any obligations that may be imposed on them by the Board.

1.30 The Board shall determine and pronounce on all matters of policy relating to the Company including the relations of the Company with its subsidiaries and associated companies, the relations of the Company’s subsidiaries with each other and the relations between the Company’s subsidiaries and the Company’s associated companies.

1.31 The Board shall determine all issues affecting the finances of the Company, including approval of all budgets and the development and co-ordination of all the activities of the Company.

1.32 The Board shall oversee and co-ordinate the strategic goals, objectives, policies and operations of the Company and its subsidiaries.

1.33 The Board may allot unissued shares of the Company on such terms and conditions as it deems fit.

**<u>THE SEAL</u>**

1.34 The Directors shall provide for the safe custody of the Seal. The Seal of the Company shall only be required to be used by the Company on documents which by law require the use of a seal. The Seal shall in such circumstances only be affixed to such afore described documents in the presence of at least one (1) Director and the Secretary.

## 23 CORPORATE GOVERNANCE

Post-demutualisation of the Nigerian Stock Exchange, NGX Group Plc has concluded the design of its Group corporate governance framework. NGX Group's corporate governance framework is consistent with leading governance practices and corporate governance requirements of the Nigerian Code of Corporate Governance 2018, Rules for Capital Market Holding Companies 2018, ISA and CAMA 2020.

NGX Group governance structures and manuals are based on core design principles that align with highest standards.

## 24 COMPOSITION OF THE BOARD

The Board is currently comprised of 10 (ten) non-executive Directors and 1 (one) executive Director**.** The non-Executive Directors are independent of management and free from constraints that could materially interfere with the exercise of their independent judgement. They possess experience and knowledge of the industry, markets, financial and/or other business information necessary to make valuable contributions to the Company's progress.

## 25 RESPONSIBILITY OF THE BOARD

NGX Group Board of Directors is responsible for alignment of the Group's strategy with the interests of its stakeholders.

The Board of Nigerian Exchange Group Plc is the governing body of the Company. The Board directs the financial affairs, strategy, structures and policies of the Company. It monitors the exercise of any delegated authority; and deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.
The Board is responsible for:

I. Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Company.
II. Reviewing and providing guidance for the Company's corporate and business strategy, major plans of action and risk policy.
III. Ensuring that there is a succession planning policy for a smooth transition in key leadership positions at the Company.
IV. Reviewing and approving of annual budgets and business plans; setting performance objectives, monitoring implementation and corporate performance.
V. Overseeing major capital expenditures, acquisitions and divestitures.
VI. Establishment of the various committees of the Board including approving their terms of reference and reviewing the reports from such committees.
VII. Ensuring the integrity of the Company's accounting and financial reporting systems, including the internal audit function and that appropriate systems of control.
VIII. Overseeing the process to ensure that the Company maintains a sound system of internal controls to safeguard shareholders' investment and the assets of the Company.
IX. Monitoring the effectiveness of the governance practices under which the Company operates and making appropriate changes as necessary risk monitoring are in place.
X. Overseeing the establishment, implementation and monitoring of a Company-wide risk management framework to identify, assess and manage business risks facing the Company. This

includes, but is not limited to financial, operational, information technology, legal, strategic, reputation and compliance risks.

XI. Overseeing the Company's corporate sustainability practices regarding its economic, social and environmental obligations. This include policies and frameworks to adequately manage Environmental, Social and Governance (ESG) risks and demonstrate its commitment in ensuring that its activities and those of its employees, customers, vendors and suppliers adequately address relevant environmental, social and governance issues.

XII. Overseeing the maintenance of the Company's communication and information dissemination policy.

## 26 BOARD COMMITTEES

The Committees of the Board were set-up to aid the speedy and efficient functioning of the Board. The Committees are set up in line with statutory and regulatory requirements and consistent with global best practice. The Committees have well defined Terms of Reference defining their scope of responsibilities in such a way as to avoid overlap of functions. NGX Group has the following Board committees:

1. **Board Risk and Audit Committee**

The Committee is charged with providing reasonable assurance regarding the Board's oversight responsibilities with respect to the integrity of NGX Group's financial statements, the effectiveness of its internal controls and the framework for risk identification, assessment and management. The Committee is currently composed of four (4) members namely:

a) Mr. Apollos Ikpobe – Chairperson;
b) Mrs. Fatima Bintah Bello–Ismail – Member;
c) Mr. Oluwole Adeosun – Member; and
d) Mrs. Ojinika Olaghere – Member.

The Committee provides supervision and advises the Board on its oversight functions in the following areas: (a) Enterprise Risk Management; (b) Regulatory Compliance; (c) Internal Audit; (d) Internal Control; (e) Financial Reporting; and (f) Sustainability.

2. **Board Governance and Remuneration Committee**

The Committee is charged with ensuring that NGX Group Plc complies with good corporate governance policies and practices. The Committee is composed of four (4) members namely:

a) Professor Enase Okonedo – Chairperson;
b) Dr. Umaru Kwairanga – Member;
c) Mr. Chidi Agbapu – Member; and
d) Dr. Okechukwu Itanyi – Member.

The Committee provides supervision and advises the Board on its oversight responsibilities in the following areas: (a) Nomination; (b) Governance; (c) Remuneration; (d) Succession Planning; and (e) Board Evaluation.

3. **Board Strategy, Finance and Investment Committee**

The Committee is charged with overseeing the Board's responsibilities relating to the financial affairs of NGX Group Plc and to make recommendations to the Board in connection with the Company's investment guidelines, investment asset allocations and financing activities. The Committee is currently composed of three (3) members including:

a) Dr. Umaru Kwairanga – Chairperson;
b) Mr. Oscar N. Onyema, OON – Member; and
c) Mr. Patrick Ajayi – Member.

The Committee advises the Board on its oversight responsibilities in the following areas: (a) Strategy Planning; (b) Capital Planning, Allocation and Management; (c) Investment Planning and Management; (d) Budgetary and Performance Reporting; and (e) Finance.

4. **Statutory Audit Committee**

The Committee is charged with supervising and ascertaining that the accounting and reporting policies of NGX Group Plc are in accordance with legal requirements and agreed ethical practices. The Committee is composed of five (5) Members as follows: Two Directors of the Board of NGX Group Plc (i) Mr. Oluwole Adeosun and (ii) Mrs. Ojinika Olaghere and three (3) shareholders' representatives, who will be appointed at the Annual General Meeting of the Company scheduled to hold in the course of the year.
The Committee provides supervision over the following areas: (a) External Audit; (b) Internal Audit; and (c) Financial Reporting.

## 27 CHAIRMAN AND CHIEF EXECUTIVE OFFICER ROLES

Responsibilities of the Board of the Company are well defined and the Board is not dominated by one individual. The Chief Executive Officer is a separate individual from the Chairman and he implements the management strategies and policies adopted by the Board. The Chairman is not involved in the day-to-day operations of the Company.

## 28 PROCEEDINGS AND FREQUENCY OF MEETINGS

The Board meets regularly (at least once every quarter). A clear agenda and relevant reports and board papers are provided to all Directors ahead of each meeting. The Board Committees also meet at least once every quarter and they deliberate and make recommendations to the Board in accordance with the provisions of its terms of reference.

## 29 NON-EXECUTIVE DIRECTORS

The Company's non-executive Directors are of strong calibre and actively contribute to Board deliberations and decision-making. The Board will be refreshed from time to time to enhance its effectiveness and ensure the infusion of fresh ideas and perspectives.

The first group of Non-Executive Directors, post demutualisation, comprises of newly approved directors and former members of the National Council of the erstwhile Nigerian Stock Exchange. The directors who are former members of the National Council will serve for a period of 18 months post demutualisation. Thereafter, the Board composition will evolve in line with market standards, competitive realities and the succession planning policies of NGX Group. Non-Executive Directors would remain in office in accordance with the provisions of extant legislation and corporate governance codes. The Board will be periodically changed to ensure continuity and injection of fresh ideas, in accordance with applicable codes of corporate governance.

## 30 CODE OF BUSINESS ETHICS

The Company is committed to conducting all of its activities with utmost professionalism and integrity by ensuring it is in compliance with all applicable laws, effectively managing any conflicts of interest arising from time to time, and putting in place systems and controls to avoid bribery. The Company also has an Employees Code of Conduct which it regularly monitors and communicates to the relevant stakeholders.

## 31 CLAIMS AND LITIGATION

**Solicitor's Opinion on the Claims and Litigation against Nigerian Exchange Group Plc**

NGX Group is presently involved in 77 (Seventy-Seven) cases, 68 (Sixty-Eight) of which were instituted against NGX Group and 9 (Nine) of which were instituted by NGX Group, by way of appeals. The Solicitors findings are based on their review of all the pending cases against NGX Group instituted at the High Courts, and subsequent appeals at the Court of Appeal and the Supreme Court. Based on their review, there is no monetary claim in 59 (Fifty-Nine) of these cases.

It is pertinent to note that prior to the completion of its demutualisation and restructuring, NGX Group operated as a self-regulatory trading platform, with the name "The Nigerian Stock Exchange Ltd/Gte", and it is in this capacity that the aforementioned cases were instituted by and against it. The cases will, however, be continued in the name of Nigerian Exchange Group Plc.

The total amount, including general damages, claimed against NGX Group is estimated at ₦10,870,348,506.34 (Ten Billion, Eight Hundred and Seventy Million, Three Hundred and Forty-Eight Thousand, Five Hundred and Six Naira, Thirty-Four kobo) and US$411,500.00 (Four Hundred and Eleven Thousand, Five Hundred United States Dollars).

The Board of Directors of NGX Group is of the opinion that the aforementioned cases are not likely to have any material adverse effect on NGX Group or the Transaction and are not aware of any other pending and/or threatened claims or litigation, which may have a material adverse effect on the Transaction.

Based on the Solicitors review of the facts of the various cases instituted against NGX Group, they are of the opinion that the total liability of NGX Group should not exceed the sum of ₦1,393,348,506.34 (One Billion, Three Hundred and Ninety-Three Million, Three Hundred and Forty-Eight Thousand, Five Hundred and Six Naira, Thirty-Four kobo) and US$411,500.00 (Four Hundred and Eleven Thousand, Five Hundred United States Dollars).

Aluko & Oyebode, the Solicitors to NGX Group, are of the view that the aforementioned cases would not adversely affect NGX Group or the Transaction.

## 32 MATERIAL CONTRACTS

The following agreement(s) have been entered into by the Company and are deemed material to the Listing:

1. A Mandate Letter from NGX Group appointing Chapel Hill Denham Advisory Limited and Rand Merchant Bank Nigeria Limited as Financial Advisers.

Other than as stated above, NGX Group has not entered into any material contract except in the ordinary course of business.

## 33 MERGERS AND ACQUISITIONS

As at the date of this Memorandum, the Company has not received any merger or takeover offer from a third party in respect of its securities nor has the Company made any merger or takeover offer to any other company in respect of another company's securities within the current or preceding financial years.

## 34 RELATIONSHIP BETWEEN THE COMPANY AND ITS ADVISERS

As at the date of this Memorandum, there was no relationship between the Company and any of the advisers except in the ordinary course of business.

## 35 CONSENTS

The following individuals have given and have not withdrawn their written consents to the issue of this Memorandum with the inclusion of their names and reports (where applicable) in the form and context in which they appear:

**Directors:**

| | |
|---|---|
| **Group Chairman** | Otunba Abimbola Ogunbanjo |
| **Non-Executive Directors** | Dr. Umaru Kwairanga |
| | Mrs. Fatimah Bintah Bello-Ismail |
| | Mr. Oluwole Adeosun |
| | Mr. Chidi Agbapu |
| | Mr. Patrick Ajayi |
| | Mr. Apollos Ikpobe |
| | Professor Enase Okonedo |
| | Mrs. Ojinika Olaghere |
| | Dr. Okechukwu Itanyi |
| **Group Chief Executive Officer** | Mr. Oscar N. Onyema, OON |
| **Group Company Secretary** | Mrs. Mojisola Adeola |
| **Financial Adviser** | Chapel Hill Denham Advisory Limited |
| **Financial Adviser** | Rand Merchant Bank Nigeria Limited |
| **Solicitors to the Listing** | Aluko & Oyebode |
| **Stockbroker** | Chapel Hill Denham Securities Limited |
| **Stockbroker** | RMB Nigeria Stockbrokers Limited |
| **Auditors to the Company** | KPMG Professional Services |
| **Registrar** | DataMax Registrars Limited |