UBA PENSIONS CUSTODIAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020

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Corporate Information, Directors, Professional Advisers

Directors

Victor Osadolor	-	Chairman
Blessing Ogwu	-	Ag. Managing Director/CEO (wef 20 July 2020)
Dr. Awele Elumelu	-	Non-Executive Director
Dr. Tukur Ingawa	-	Independent Non-Executive Director
Abbas Jega Mohammed	-	Independent Non-Executive Director
Chukwuma Nweke	-	Non-Executive Director (wef 29 May 2020)

Secretary

Rachel Onochie-Abugu

Registered Head Office

57 Marina
Lagos

Registered Business Office

22B Idowu Taylor Street
Victoria Island
Lagos

Auditor

Ernst & Young
10th & 13th Floors
UBA House
57 Marina,
Lagos

Banker

United Bank for Africa Plc.
Marina
Lagos

CORPORATE GOVERNANCE REPORT

The Board of Directors of UBA Pensions Custodian Limited ("the Company") is committed to high standards of corporate governance and devotes significant effort to identify and formalize best practices. The Company's strategic corporate governance practices and activities during the year ended 31 December 2020 are highlighted in this report and will be published in the Company's Annual Report.

Board Structure & Composition
The Board of UBA Pensions as at the end of the financial year was composed of six (6) members as follows:

S/N	MEMBERS	ROLE
1	Mr. Victor Osadolor	Chairman
2	Ms. Blessing Ogwu	Ag. MD/CEO
3	Dr. Awele Elumelu	Non-Executive Director
4.	Mr. Chukwuma Nweke	Non-Executive Director
5.	Dr. Tukur Ingawa OON	Independent Non-Executive Director
6.	Mr. Abbas Jega Mohammed	Independent Non-Executive Director

The Board's structure is governed by the Company's Board and Board Committees Governance Charter and the National Pension Commission's Code of Corporate Governance. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and custody business which strengthen its effectiveness. 2 of the 6 members of the Board are females, constituting 33% of Board membership. In addition, the Company's workforce is made up of 55% male and 45% female.

Comprehensive guidelines, policies and procedures have been formulated by the Board in support of the Company's corporate governance framework including the "Board Governance and Board Committees Governance Charter", "Code of Corporate Governance", "Conflict of Interest Policy ", "Internal Control Plan", "Compliance Policy and Programme", "Whistleblowing Policy", "Succession Planning Policy and Procedure", "Risk Management Policy" and the Terms of Reference for the Board Committees. The foregoing documents are reviewed regularly by the Board and the relevant Board Committees and are updated in line with the amendments of applicable legislations and rules as well as changes in current market practices and operating environment.
The Board also closely monitors the implementation of strategic initiatives as key drivers of the Company's business and the IT Transformation Project driven by Microsoft Dynamics NAV 2018 Enterprise Resources Management System which was deployed in 2019.

Relationships on the Board

- The Chairman and the Managing Director roles are distinct and held by individuals who do not have any family ties, thereby ensuring that no one individual has unfettered powers of decision making.

- The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

- Both Independent Non-Executive Directors on the Board have not been employed by the Company or its associated companies, are not shareholders of the Company and are not accepting any compensation from the Company or any of its related companies other than compensation for Board services.

- Members of the Board have diverse experience and there is balance of skills and knowledge.

- At each regular Board meeting, presentations are made to the Board on various aspects, including the business performance, financial performance, corporate governance, and outlook, etc. A written report reviewing all the key operational aspects of the Company was provided to the directors before each regular Board meeting to enable them to make informed decisions for the benefit of the Company.

- In accordance with the provisions of the Company's Conflict of Interest Policy, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering the contract or arrangement is first considered.

Changes in the Structure & Composition of Board

Mr. Uche Ike resigned from the Board with effect from March 27, 2020, Mr. Chukwuma Nweke was admitted to the Board with effect from May 29, 2020, Ms. Blessing Ogwu was appointed Ag. Managing Director on July 20, 2020, Mr. Bayo Yusuf resigned from the Board with effect from December 9, 2020 and Mr. Patrick Omoighe was removed from the Board with effect from December 9, 2020. The changes were duly communicated to and approved by the National Pension Commission.

Consequently, changes were affected as follows in the composition of the Board Committees and for best governance practices:

NOMINATIONS COMMITTEE

S/N	MEMBERS	ROLE	REMARKS
1.	Dr. Awele Elumelu	Chairman/NED	
2.	Mr. Victor Osadolor	Member/Board Chairman	*Stepped down as a member of the Committee with effect from March 26, 2020.*
3.	Mr. Uche Ike	Member/Non-Executive Director	*Resigned from the Board with effect from March 27, 2020.*
4.	Dr. Tukur Ingawa	Member/Independent Non-Executive Director	
5.	Mr. Chukwuma Nweke	Member/Non-Executive Director	*Admitted to the Board with effect from May 29, 2020.*

AUDIT & RISK MANAGEMENT COMMITTEE

S/N	MEMBERS	ROLE	REMARKS
1.	Dr. Tukur Ingawa	Chairman/Independent NED	
2.	Mr. Uche Ike	Member/Non-Executive Director	*Resigned from the Board with effect from March 27, 2020.*
3.	Mr. Abbas Jega Mohammed	Member/ Independent Non-Executive Director	
4.	Dr. Awele Elumelu	Member/Non-Executive Director	
5.	Mr. Chukwuma Nweke	Member/Non-Executive Director	*Admitted to the Board with effect from May 29, 2020.*

FINANCE & GENERAL PURPOSES COMMITTEE

S/N	MEMBERS	ROLE	REMARKS
1.	Mr. Chukwuma Nweke	Chairman/Non-Executive Director	*Admitted to the Board with effect from May 29, 2020.*
2.	Mr. Uche Ike	Chairman/Non-Executive Director	*Resigned from the Board with effect from March 27, 2020.*
3.	Mr. Bayo Yusuf	Member/ Managing Director	*On suspension with effect from July 20, 2020 and resigned on December 9, 2020.*
4.	Mr. Patrick Omoighe	Member/Executive Director	*On suspension with effect from July 6, 2020 and exited on December 9, 2020.*
5.	Ms. Blessing Ogwu	Member/ Ag. MD	*Appointed Ag. Managing Director with effect from July 20, 2020*
6.	Mr. Abbas Jega Mohammed	Member/Independent Non-Executive Director	
7.	Dr. Awele Elumelu	Member/Non-Executive Director	

The Roles & Responsibilities of the Board

The Board of UBA Pensions met 4 (four) times during the review period. The Board provided overall guidance and policy direction to Management in the areas of Strategic direction, Policy formulation, Decision making and General oversight duties. The duties of the Board were as follows:

- Setting out the vision and mission of the Company and ensuring that it has an appropriate strategy and the organizational structure and capacity to achieve them.
- Ensuring that there is an effective Management team in place and monitoring and evaluating its performance on an on-going basis.
- Reviewing the Company's operations against its set objectives.
- Ensuring adequate control and satisfactory financial performance of both the Company and the PFAs Funds in its custody.
- Monitoring and ensuring compliance with all relevant laws and regulations.
- Ensuring that the Company has an adequate risk management framework and a sound system of internal controls in place.
- Undertaking a formal and rigorous evaluation of its own performance and those of its Committees and individual members, on an annual basis, pursuant to the requirements of the National Pension Commission.
- Establishing the relevant Board Committees, each with written terms of reference.
- Setting out a formal schedule of matters specifically reserved for its decision to ensure adequate oversight of the Company.

Directors Participation at Meetings

Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees' meetings and the Annual General meeting held during the 2020 Financial Year is listed as follows.

Board of Directors – Composition & Meetings Attendance

S/N	MEMBERS	MAR 27 2020	JUN 16, 2020	AGM JUNE 16, 2020	SEPT. 16, 2020	DEC. 23, 2020
1.	Mr. Victor Osadolor Chairman	✓	✓	✓	✓	✓
2.	Mr. Uche Ike	*	*	*	*	*
3.	Mr. Bayo Yusuf MD/CEO	✓	✓	✓	*	*
4.	Mr. Patrick Omoighe Executive Director	✓	✓	✓	*	*
5.	Mrs. Blessing Ogwu Ag. Managing Director	*	*	*	✓	✓
6.	Mr. Abbas Jega Mohammed Member	✓	✓	✓	✓	✓
7.	Dr. Awele Elumelu Member/Non-Executive Director	✓	✓	✓	✓	✓
8.	Dr. Tukur Ingawa Member/Independent Non-Executive Director	✓	✓	✓	✓	✓
9.	Mr. Chukwuma Nweke Member/Non-Executive Director	*	✓	✓	✓	✓

** Mr. Uche Ike resigned from the Board with effect from March 27, 2020.*
**Mr. Chukwuma Nweke was admitted to the Board with effect from May 29, 2020.*
**Mr. Bayo Yusuf was suspended with effect from July 20, 2020 and resigned on December 9, 2020.*
**Mr. Patrick Omoighe was suspended with effect from July 6, 2020 and removed on December 9, 2020.*
**Ms. Blessing Ogwu was appointed Ag. Managing Director with effect from July 20, 2020*

Delegation of Authority by the Board-to-Board Committees

To ensure efficiency and effectiveness, the Board delegates some of its functions, duties, and responsibilities to its Board Committees without abdicating its oversight role. The Committees of the Board as at December 31, 2020 were as follows:

- Finance & General Purposes Committee
- Audit & Risk Management Committee
- Nominations Committee

Below is a schedule of the Board Committees with their composition and a summary of their Terms of Reference:

Board Finance & General Purposes Committee - Terms of Reference:

a. Discharge the Board's responsibilities regarding strategic direction and budgeting, oversight on financial matters and the performance of the Company.

b. Review Company policies of financial and general nature and make financial and investment decisions within its approved limits on behalf of the Board.

c. Formulate the Strategy of the Company and make recommendations to the Board accordingly.

d. Consider and approve the IT governance framework and extra budgetary expenditure above the limits of Executive Management.

Finance & General Purposes Committee – Composition, Role & Meetings Attendance

S/N	MEMBERS	MAR 26 2020	JUN 15, 2020	SEPT. 15, 2020	DEC. 22, 2020
1.	Mr. Chukwuma Nweke Chairman/Non-Executive Director	*	✓	✓	✓
2.	Mr. Uche Ike Chairman	*	*	*	*
3.	Mr. Bayo Yusuf Member/MD/CEO	✓	✓	*	*
4.	Mr. Patrick Omoighe Member/Executive Director	✓	✓	*	*
5.	Ms. Blessing Ogwu Member/Ag. MD	*	*	✓	✓
6.	Mr. Abbas Jega Mohammed Member/Independent NED	✓	✓	✓	✓
7.	Dr. Awele Elumelu Member/Non-Executive Director	✓	✓	✓	✓

** Mr. Uche Ike resigned from the Board with effect from March 27, 2020.*
**Mr. Chukwuma Nweke was admitted to the Board with effect from May 29, 2020.*
**Mr. Bayo Yusuf was suspended with effect from July 20, 2020 and resigned on December 9, 2020.*
**Mr. Patrick Omoighe was suspended with effect from July 6, 2020 and was removed with effect from December 9, 2020.*
**Ms. Blessing Ogwu was appointed Ag. Managing Director with effect from July 20, 2020*

Board Audit & Risk Management Committee - Terms of Reference:

a. To assist the Board of Directors in fulfilling its oversight responsibilities in regard to audit and control, and ensure that an effective system of financial and internal control is in place.

b. To monitor and assess the overall integrity of the financial statements and disclosures on the financial condition and results of the Company.

c. To monitor and evaluate on a regular basis the qualifications, independence and performance of the External Auditors and the Internal Control Department.

d. Safeguard the assets and income of the Company and monitor processes designed to ensure compliance by the Company in all respect with legal and regulatory requirements.

e. Governance of risk and determining the risk tolerance, risk appetite, risk monitoring, risk assurance and risk disclosure for the custody business and the Company.

f. Review and assess the integrity and adequacy of the overall risk management function of the Company.

Audit & Risk Management Committee – Composition, Role & Meetings Attendance

S/N	MEMBERS	MAR 26 2020	JUN 15, 2020	SEPT. 15, 2020	DEC. 15, 2020
1.	Dr. Tukur Ingawa Chairman/Independent NED	✓	✓	✓	✓
2.	Mr. Uche Ike Member/Non-Executive Director	✓	*	*	*
3.	Mr. Abbas Jega Mohammed Member/Independent NED	✓	✓	✓	✓
4.	Dr. Awele Elumelu Member/ Non-Executive Director	✓	✓	✓	✓
5.	Mr. Chukwuma Nweke Member/ Non-Executive Director	*	✓	✓	✓

** Mr. Uche Ike resigned from the Board with effect from March 27, 2020.*
**Mr. Chukwuma Nweke was admitted to the Board with effect from May 29, 2020.*

Board Nominations Committee - Terms of Reference:

a. Propose candidates to the Board for all Board positions (both executive and non-executives), establish procedures for the nomination of Directors, advise and recommend to the Board the composition of the Board, and evaluate the skills of members of the Board.

b. Advise the Board on corporate governance standards and policies and recommend the remuneration of Directors to the Board for approval.

c. Review all human resources and governance policies for the Company, and approve recruitments, promotions, redeployments, and disengagements for the Company for staff members on Senior grade levels.

d. Recommend the organizational structure of the Company to the Board for approval.

e. Organize Board and Board Committees inductions and trainings and evaluate and appraise the performance of the Board and Board Committees and its members annually.

Nominations Committee – Composition, Role & Meetings Attendance

S/N	MEMBERS	MAR 26 2020	JUN 15, 2020	SEPT. 15, 2020	DEC. 22, 2020
1.	Dr. Awele Elumelu Chairman/Non-Executive Director	✓	✓	✓	✓
2.	Mr. Victor Osadolor Member/Board Chairman/Non-Executive Director	*	*	*	*
3.	Mr. Uche Ike Member/Non-Executive Director	✓	*	*	*
4.	Dr. Tukur Ingawa Member/Independent NED	✓	✓	✓	✓
5.	Mr. Chukwuma Nweke Member/Non-Executive Director	*	✓	✓	✓

**Victor Osadolor stepped down as a member of the Committee with effect from March 26, 2020.*
**Mr. Uche Ike resigned from the Board with effect from March 27, 2020.*
**Mr. Chukwuma Nweke was admitted to the Board with effect from May 29, 2020.*

Material Transactions Requiring Board Approval
The following transactions require Board approval under the Company's Internal guidelines:

- Approving and reviewing corporate strategy
- Approving annual budgets and business plans
- Setting performance objectives
- Approving policies
- Approving major capital expenditures, acquisitions, and divestments

The Process of Selection & Appointment of New Directors to the Board
The criteria for the appointment of members to the Board are laid down in the Board Governance and Board Committees Governance Charter and is a formal, transparent, and rigorous process. New members are selected based on the National Pension Commission's *Guidelines for Appointment to Board and Top Management Positions in PFAs and PFCs, GL/APPT/01*and other extant guidelines as well as interest and relevant skills and experience, among others.

The process of Board appointments is not concluded until the nominees are duly approved by the National Pension Commission (PenCom) and ratified by Shareholders at the Company's Annual General Meeting.

Board Effectiveness/Annual Board Appraisal
The Board recognizes that regular evaluations of its performance are essential to good corporate governance and Board effectiveness. Pursuant to the relevant provisions of the *National Pension Commission's Code of Corporate Governance for Licensed Pension Operators* and best practice, the Board engaged an Independent Consultant (Messrs. Deloitte & Touché) to conduct a formal and rigorous evaluation of its own performance and that of its Committees and individual directors.

The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles, and responsibilities and assessed the effectiveness of the Board as a whole, and the contribution of each Board Committee and each individual director to the success of the Board.

In 2020, the appraisal of the Board by Messrs Deloitte & Touché stated that the Board substantially complied with the provisions of the extant Codes of Corporate Governance in terms of its structure, composition, procedures, and responsibilities and that the key Board functionaries (Board and Board Committee Chairpersons) and the Board Committees met their responsibilities under the Codes and governance charters in UBA Pensions. Specific recommendations to further improve the Company's governance practices were also articulated and included in a detailed report to the Board and submitted to the National Pension Commission.

Induction and Development
Upon appointment to the Board, Directors are provided with comprehensive induction training to ensure that they have a thorough understanding of the Company's operations and governance policies as well as their role and responsibilities. To provide guidance, a Training & Onboarding Policy was developed and approved by the Board at its meeting on June 16, 2020. Each director receives a director's manual which contains the Board's terms of reference, an overview of Directors' responsibilities, the Guidelines on Conduct and information on other key governance issues.

As part of the continuous professional development for its directors to develop and refresh their knowledge and skills, necessary for the performance of their duties, training programmes are organized to help Directors keep abreast of current trends and issues facing the Company and the pensions industry.

In 2020, directors participated in five (5) training sessions designed to enrich their understanding of the latest industry/market trends and developments as listed below:

2020 Directors' Training Attendance:

Period	Course Title	Attendee(s)
Q1	Cyber Security	• All Directors
Q2	Advanced Management Program	• Mr. Patrick Omoighe
Q3	Making Strategy Work in Times of Global Disruption	• Mr. Victor Osadolor • Mr. Chukwuma Nweke
Q4	The Effective Director	• Dr. Awele Elumelu • Dr. Tukur Ingawa • Mr. Abbas Jega Mohammed
Q4	Driving Business Success	• Ms. Blessing Ogwu

Compliance with Corporate Governance Code

During the year under review, UBA Pensions substantially complied with the provisions of the Circular on Corporate Governance for Pension Fund Operators and where applicable, adopted the recommended best practices set out in the Nigerian Code of Corporate Governance.

Corporate Governance Practices

UBA Pensions strives to improve its governance practices and prides itself in its openness and transparency. Following the issuance by the National Pension Commission, of the Circular on Corporate Governance for Pension Fund Operators and commencement of application of the Nigerian Code of Corporate Governance 2018, the Company amended its Code of Corporate.

Governance and Compliance Program among others, to reflect salient changes in both Codes.

During the review period, the Board continued to give due attention to matters of corporate governance, corporate strategies, and the future growth and viability of the Company in the very dynamic business environment while providing guidance and support to Management in pursuit of its corporate objectives.

The Board met a total of four (4) times during the period – a meeting each in the four quarters of the year. The Board deliberated on various matters within its mandate. It approved several revised policy documents including the Code of Corporate Governance, Compliance Program, Continuity of Business Plan, Internal Control Plan and considered the issues arising from its Regulatory Routine Examination Reports as well as Compliance, Internal Control, Risk Management, Human Capital Management, Financial Performance issues and the monitoring and implementation of the Company's Strategy Plan amongst others.

Below are some of the governance practices instituted in the Company:

- The Board Chairman is neither the Chairman nor a member of any of the Board Committees.
- The MD/CEO and Executive Director are not members of the Board Committees responsible for remuneration, audit, nominations, or governance.
- Only 1 Director currently has an interest in a company that provides professional services to the Company and made the requisite disclosure of interest.
- The Board exercises responsibility, leadership, enterprise, integrity, and judgment in directing the organisation so as to achieve its objective.
- The Board acts in the best interest of its shareholders and other stakeholders on the basis of transparency, accountability and equity.

- All Directors participate in periodic, relevant, continuing education programs to update their knowledge and skills and keep them informed of new developments in the Company's business and operating environment.

- The meetings of the Board, Board Committees and the Shareholders meetings are scheduled one year in advance. Board papers are sent to Directors one week before the meeting, the agenda is clear, and matters are dealt with expeditiously.

- The Company has various Management Committees to assist Management in the day-to-day running of the Company namely the Executive Management, IT Steering, Change Management and Cost Optimization Committees. Ad-hoc committees are constituted from time to time to deal with specific matters.

- The Company has a Whistle-blowing Policy and a Compliance Communication Program which have the assurance of confidentiality and are further monitored by the National Pension Commission.

- Directors have access to Management through the Company Secretariat and have the liberty to engage independent Consultants at the expense of the Company if required.

- The Independent Directors represent strong independent voices on the Board and are free from relationships and circumstances with the Company, Management, or substantial Shareholders.

- New members to the Board are formally inducted to familiarize them with the Company's Strategic Plan, operations, business environment, fiduciary responsibilities, and senior management.

Strategic Planning
The Board pays close attention to the implementation of the 3-year Strategic Plan for 2020-2022 which was developed to identify and assess the opportunities and challenges that the Company might face and to develop a planned course of action for the Company to generate sustainable long-term value for Shareholders. It was formulated with key strategic initiatives covering Customers, Financials, Internal Processes and Learning & Growth. A standard report addressing the implementation of the Plan is presented to the Board at its quarterly meetings.

The Adequacy of Internal Control
The Audit & Risk Management Committee is vested with the responsibility of overseeing the effectiveness and adequacy of internal control systems. It is also responsible for ensuring the adequacy and effectiveness of risk management. Quarterly Internal Control Reports which includes financial performance, operational and compliance controls and risk management are presented to the Audit & Risk Management Committee by the Head of Internal Control and significant items are highlighted to the Board for notification, approval or resolution. The control measures introduced in the period under review include the modification of the Internal Control Core & Reconciliation Modules on the Enterprise Resources Management System Microsoft NAV.

Remuneration of Directors
Each of the Company's directors are entitled to directors' fees which are determined by the Board with authorization granted by the shareholders at the Company's annual general meetings. Furthermore, the Company ensures that remuneration paid to its Directors complies with the provisions of National Pension Commission's Code of Corporate Governance for Licensed Pension Operators.

The Company makes disclosures of remuneration paid to its Directors as follows:

PACKAGE	TYPE	DESCRIPTION	TIMING
Basic Salary	Fixed	This is part of the gross salary for the Executive directors only. It reflects the pension industry competitive salary package and the extent to which Company's objectives have been met for the financial year	Paid monthly during the financial year
13th month salary	Fixed	This is part of the gross salary for the Executive directors only. It reflects the pension industry competitive salary package and the extent to which Company's objectives have been met for the financial year	Paid in a month in the financial year
Directors Fees	Fixed	This is paid bi-annually to Non-Executive Directors	Paid Bi-annually
Sitting Allowance	Fixed	Sitting allowance are paid to the Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

CONCLUSION
We affirm that the Board of Directors continues to act in good faith and with due diligence and care in pursuit of the best interests of the Company and its stakeholders. It remains devoted to monitoring and ensuring the satisfactory resolution of the recommendations contained in PenCom's Examination Reports and the Board Evaluation Reports and is confident of better all-round performance. The Board is also committed to partnering with the National Pension Commission to ensure the achievement of the laudable goals of the *Pension Reform Act, 2014*.

BY ORDER OF THE BOARD

Rachel Onochie-Abugu
Company Secretary
FRC/2021/002/00000022936
Lagos, Nigeria
30 March 2021

REPORT OF THE DIRECTORS OF UBA PENSIONS CUSTODIAN LIMITED

In compliance with the *Companies & Allied Matters Act, 2020,* the Directors of UBA Pensions Custodian Limited are pleased to present to Shareholders the audited Financial Statements of the Company for the financial year ended December 31, 2020.

CORPORATE STRUCTURE AND BUSINESS

UBA Pensions Custodian Limited (UBA Pensions) is a private company and was incorporated in September 2005 in line with the *Pension Reform Act 2004 (as amended 2014)*, and is a wholly owned subsidiary of UBA Plc.

The Company is licensed to carry on the business of custody of pension fund and assets and to hold and deal with such fund and assets to the exclusive order of the Pension Fund Administrator(s) for the benefit of the account holders in the Pension Fund Administrator(s), in accordance with the directives given by the National Pension Commission and in conformity with the *Pension Reform Act 2014*.

The Company's registered business office is 22B, Idowu Taylor Street, Victoria Island, Lagos. It has arms-length dealings with Pensions Funds Administrators and other stakeholders in the Pensions industry with formal and transparent procedures and processes.

OPERATING RESULTS

	2020	2019
	N'000	N'000
Gross earnings	6,210,787	6,839,856
Profit before taxation	3,517,992	5,525,147
income tax expense	(1,519,399)	(1,752,697)
Profit after tax	1,998,593	3,772,450
Profit attributable to shareholders	1,998,593	3,772,450
Basic and diluted earnings per share (Kobo)	100	189

ANALYSIS OF SHAREHOLDING

The Share Capital is ₦2,000,000,000 divided into 2,000,000,000 ordinary shares of ₦1.00 each.

UBA Pensions is a wholly owned subsidiary of UBA Plc. The Company has two shareholders, namely United Bank for Africa Plc with 99.99% and Bili Odum with 0.01% of the total paid-up Capital. The authorized and paid-up capital of the Company remained at ₦2 Billion.

INTERIM DIVIDEND

During the period, the Directors approved a dividend of ₦1.25K per ordinary Share of ₦1:00 each to be paid to Shareholders. The dividend is yet to be approved by the National Pension Commission and would be ratified by members at the Annual General Meeting. The dividend has been included as a liability in these financial statements and is subject to a withholding tax at the appropriate tax rate.

DIRECTORS

The following were Directors of the Company who served during the period under review:

BOARD MEMBERS

S/N	DIRECTOR	ROLE
1	Mr. Victor Osadolor	Chairman
2	Mr. Bayo Yusuf	MD/CEO **resigned effective December 9, 2020*
3.	Ms. Blessing Ogwu	Ag. MD/CEO **appointed effective July 9, 2020*
4.	Dr. Awele Elumelu	Non-Executive Director
5.	Mr. Chukwuma Nweke	Non-Executive Director **admitted effective May 29, 2020*
6.	Dr. Tukur Ingawa OON	Independent Non-Executive Director
7.	Mr. Abbas Jega Mohammed	Independent Non-Executive Director
8	Mr. Uche Ike	Non-Executive Director **resigned effective March 27, 2020*
9.	Mr. Patrick Omoighe	Executive Director **removed effective December 9, 2020*

PROPERTY AND EQUIPMENT

There was no change in the nature of the property, plant, and equipment of the Company or in the policy regarding their use. On 31 December 2020, the Company's property and equipment amounted to N99,977,000 (2019: N148,332,000). In the opinion of the Directors, the net realisable value of the Company's property and equipment is not less than the carrying value in the financial statements. Refer to Note 20 of the financial statements for further details on changes in property and equipment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

In compliance with the provisions of *Sections 377 and 378 of the Companies and Allied Matters Act 2020,* the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and other comprehensive income for that year. In so doing they ensure that:

i. Adequate internal control procedures are instituted to safeguard the assets, prevent, and detect frauds and other irregularities.
ii. Proper accounting records are maintained.
iii. Applicable accounting standards are adhered to.
iv. Suitable accounting policies are adopted and consistently applied.
v. Judgments and estimates made are reasonable and prudent and
vi. The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' INTERESTS

The Directors are not Shareholders of the Company.

EMPLOYMENT & EMPLOYEES

UBA Pensions Custodian Limited had a total of 79 staff as of 31 December 2020 comprising of 1 Executive Management, 8 Senior Management staff, 13 Supervisors and 57 Professionals.

Innovation, teamwork, and cordial relations is encouraged amongst employees. Recruitment is fair and transparent, and the terms of employee employment are equitable. The work environment is free from harassment, and the working condition is conducive. Furthermore, the Company maintains a safe workplace by adhering to fundamental health and safety standards and regulations. Staff members are regularly educated on workplace health and safety and the requirement to report all accidents appropriately.

The Company provides a health insurance scheme for staff members and their immediate families and encourages a good work-life balance and paid annual leave and medical checks.

The Company is an equal opportunity employer, it provides equal opportunities for disabled persons, ensuring that there is no discrimination against them. Currently, there are no disabled employees in the Company. During the year ended December 31, 2020, no employee was disabled in the course of employment.

STAFF TRAINING

UBA Pensions Custodian Limited believes in continuing educational development and professional training. Staff members are trained to equip them with important skills to boost their productivity and develop them professionally. This is achieved through structured and comprehensive training programmes adapted to each employee's job function and role. All staff members were trained during the review period.

CORPORATE SOCIAL RESPONSIBILITY [CSR]

UBA Pensions Custodian Limited is committed to the promotion of socio-economic development of the country, especially in education and development of the awareness of Pensions. Its policy excludes participation in political activities, individual and staff projects, religious activities, violent sports as well as items that are contrary to good conscience and public opinion.

EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that could have effect on the state of affairs of the Company as at 31 December, 2020 which have not been adequately provided for or disclosed.

AUDIT COMMITTEE

The Company has in place a Board Audit & Risk Management Committee pursuant to its Board Governance Charter. The Committee's main Terms of Reference is to assist the Board of Directors in fulfilling its oversight responsibilities regarding audit and control, and to monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of operations of the Company. Below is the Composition of the Committee:

Board Audit & Risk Management Committee

S/N	NAME	ROLE
1	Dr. Tukur Ingawa (OON)	Chairman, INED
2	Mr. Abbas Jega Mohammed	Member, INED
3	Mr. Uche Ike	Member, NED *resigned effective March 27, 2020
4	Mr. Chukwuma Nweke	Member, NED *admitted effective May 29, 2020
4	Dr. Awele Elumelu	Member, NED

AUDITORS

In accordance with section 401 of the Companies and Allied Matters Act, 2020, Messrs. Ernst & Young were appointed as the Company's external auditors in replacement of Messrs. Deloitte & Touche who had been disengaged in compliance with section 20.2 of the Nigerian Code of Corporate Governance 2018, having completed 10 years of continuous service.

BY ORDER OF THE BOARD

Victor Osadolor
FRC/2016/ICAN/00000013923
Chairman

Lagos, Nigeria
30 March 2021

CORPORATE RESPONSIBILITY FOR FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

The Chief Executive officer and the Chief Financial officer of UBA Pensions Custodian Limited have reviewed the audited financial statements and accept responsibility for the financial and other information within the annual report. The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Company are hereby provided below:

Financial Information

i. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.

ii. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period ended 31st December 2020.

Effective Internal Controls

i. Effective internal controls have been designed to ensure that material information relating to the Company are made known by the relevant staff, particularly during the period in which the audited financial statement report is being prepared.

ii the effectiveness of the Company's Internal controls has been evaluated within 90 days prior to 31 December 2020.

iii. The Company's Internal Controls are effective as of 31st December 2020.

Disclosures

i. There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Company's Internal Control systems.

ii. There were no fraud events involving Senior Management or other employees who have a significant role in the company's Internal control.

iii. There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

SIGNED BY:

RASHIDAH ADEKOLA	**BLESSING OGWU**
Chief Finance Officer	**MD/CEO**
FRC/2012/ICAN/00000000269	FRC/2021/003/00000022851

STATEMENT OF DIRECTORS' RESPONSIBILITES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors of UBA Pensions Custodian Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2020, and the results of its operations, statement of cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria 2020, the Pension Reform Act 2014 as amended, National Pension Commission Guidelines, and the Financial Reporting Council of Nigeria Act, 2011.

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

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

The Directors are responsible for:

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

Going Concern:
The Directors have assessed the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern for at least 12 months from the date of this Statement.

The financial statements of the Company for the year ended 31 December 2020 were approved by the Board on 30 March 2021.

Signed on behalf of the Directors of the Company.

BLESSING OGWU
Managing Director/CEO (Ag.)
FRC/2021/003/00000022851

VICTOR OSADOLOR
Chairman
FRC/2016/CAN/00000013923

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE
For the year ended December 31, 2020.

In accordance with the provisions of *Section 404(7) of the Companies and Allied Matters Act 2020*, we have received the Independent Auditor's Report for the year ended December 31, 2020 and hereby report as follows:

a. We confirm that we have seen the audit plan and scope, the Management Letter on the audit and the responses to the said letter.

b. In our opinion the scope and planning of the audit were adequate. We have reviewed the Auditors' findings and the Management Responses thereon.

c. We also confirm that the accounting and reporting policies of the Company conformed to statutory requirements and ethical practices.

d. The Company's system of accounting and internal control was constantly and effectively monitored; and

e. The External Auditor's Management Report received satisfactory responses from Management.

Dr. Tukur Ingawa

FRC/2018/IODN/00000018294

Chairman Audit & Risk Management Committee

Lagos, Nigeria

30 March 2021

Members of the Audit & Risk Management Committee are:

S/N	Composition	
1	Dr. Tukur Ingawa	Chairman
2	Mr. Abbas Jega Mohammed	Member
3	Mr. Chukwuma Nweke	Member
4	Dr. Awele Elumelu	Member

Deloitte.

Deloitte & Touche
Civic Towers, Plot GA 1
Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Nigeria.
Tel: +234 1 2717800
Fax: +234 1 2717801
www.deloitte.com/ng

10 March, 2021

The Chairman
UBA Pensions Custodian Limited
3rd Floor, 22B Idowu Taylor Street
Victoria Island
Lagos, Nigeria

Dear Sir,

Report of the Independent Consultants on the Performance of the Board of Directors of UBA Pensions Custodian Limited for the Year Ended 31 December 2020

Deloitte & Touche has performed the annual evaluation of the Board of Directors of UBA Pensions Custodian Limited ("UBA Pensions") for the year ended 31 December, 2020. The scope of the review included an assessment of the structure and composition of the Board, responsibilities, processes, procedures and the effectiveness of Board Committees. The review was performed in compliance with Principle 14 of the Nigerian Code of Corporate Governance ("NCCG").

We evaluated the performance of the Board in line with regulatory requirements under the Circular on Corporate Governance for Pension Fund Operators 2019, Nigerian Code of Corporate Governance (NCCG) 2018, PENCOM Guidelines and Regulations and other good practice Corporate Governance standards. Our approach involved a review of the Board framework in UBA Pensions, relevant governance documents, policies and procedures. The report of our evaluation was premised on desk review of governance documents, interview sessions with Directors and survey responses received form the Directors.

The result of our evaluation has shown that the Board substantially complies with the provisions of the extant Codes of Corporate Governance in terms of its structure, composition, procedures and responsibilities. We also ascertained that the key Board functionaries (Board and Board Committee Chairpersons) and the Board Committees met their responsibilities under the Codes and governance charters in UBA Pensions. The report further highlights details of our review activities, observations and some recommendations for the Board's action.

It should be noted that the matters raised in this report are only those which came to our attention during the course of our review. The evaluation is limited in nature, and does not necessarily disclose all significant matters about the company or reveal any irregularities. As such, we do not express any opinion on the activities reported.

Yours faithfully,

For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

Deloitte & Touche
Civic Towers, Plot GA 1
Ozumba Mbadiwe Avenue
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Tel: +234 1 2717800
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Report of the Independent Consultants on the Review of Corporate Governance Framework of UBA Pensions Custodian Limited for the Year Ended 31 December 2020

BACKGOUND

Deloitte & Touche has performed the annual corporate governance review on UBA Pensions Custodian Limited ("UBA Pensions") for the year ended 31 December 2020. The review was performed in compliance with Section 11.2.9.5 and Principle 15 of the Nigerian Code of Corporate Governance ("NCCG").

We evaluated the performance of the Corporate Governance framework in line with regulatory requirements under the Nigerian Code of Corporate Governance ("NCCG"), PENCOM Guidelines and Regulations and other good practice Corporate Governance standards. The scope of the review included an assessment of key areas of UBA Pension's corporate governance framework, including the framework of the Board structure and composition, Board operations and effectiveness, assurance functions, corporate disclosures and relationship with stakeholders.

Our approach involved a review of the governance charters and policies and management framework in UBA Pension's. The report of our evaluation was premised on desk review of governance policies, charters and minutes, as well as interview sessions with Directors and select Executive Management staff.

The result of our evaluation has shown that the Corporate Governance framework and practices in UBA Pensions substantially complies with the provisions of the extant Codes of Corporate Governance. The report further highlights details of our review activities, observations and some recommendations for the Board and Executive Management's action.

HIGHLIGHTS

Below are highlights of the corporate governance framework in UBA Pensions:

The Board and Board Committees:

There were six (6) Directors on the Board during this review, which meets the regulatory and best practice requirements. Three (3) Directors resigned and Two (2) Directors were appointed to new positions during the review period. There were two (2) female Directors on the Board at the end of the reporting period, making up 33% of all Directors.

The Board has a mix of:

- One (1) ED
- Three (3) NEDs and
- Two (2) INEDs.

The Board has a total of three (3) Committees that held several meetings during the review period i.e. the Board Nomination Committee, Audit and Risk Management Committee and Finance and General-Purpose Committee. The terms of reference for all the Committees are contained in the Board Governance and Board Committee Governance Charter.

Board and Board Committee Meetings:
The Board Governance Charter specifies that the Board and Board Committees shall hold meetings at least once every quarter. This aligns with the provision of the NCCG 2018 and the Circular on Corporate Governance for PFOs 2019 on the frequency of meetings of the Board and Board Committees. We noted that Board and Board Committee held quarterly meetings in the review period.
The Board Governance Charter, in line with corporate governance codes requires that all Directors maintain at least 75% meeting attendance at both Board and Board Committee meetings (Sec 2.4.3 of the Board Governance Charter). Per our review, we observed that all Directors meet the minimum meeting attendance requirement for Board meeting, Board Committee meetings and the Annual General Meeting. We confirmed that quorum was achieved and confirmed before commencement of meetings of the Board, Board Committee and the AGM.

Internal Control, Risk Management and Audit:
UBA Pensions has a compliance function with the primary mandate to monitor compliance with regulatory requirements across the business and disclose findings to the Board and the Regulators to enhance the activities of the business. Reports including internal control and compliance reports, were submitted to the Board on a regular basis to assist their oversight functions. An Audit and Internal Control function exist for UBA Pensions that reports functionally to the Board and administratively to Management. We also noted that quarterly reports were presented to the Board Audit Committee by the function.

In response to the risks and opportunities arising in year 2020, a COVID 19 risks assessment was carried out and reported to the Audit and Risk Management Committee in the second quarter minutes of meeting. The risk assessment report addressed measures to mitigate the impacts of COVID 19 and an effective Business Continuity Plan. Risk management report were also presented to the Board Audit and Risk Management Committee in each quarterly Board Committee meeting conducted within the review period.

Performance Management and Compensation:
The Board conducts an annual evaluation of the performance of its members and Committees. The Board evaluation for the year 2019 was conducted by an independent consultant and the evaluation report was sighted.
The Shareholder approved the remuneration of Directors to be fixed by the Board Chairman in the AGM. UBA Pensions also has a Remuneration Policy for Directors.

Transparency and Disclosures:
UBA Pensions has an investors' portal on its company website where annual reports of UBA Pensions and other information are available in downloadable formats to the public. The company's website has the following information readily available to stakeholders, in line with the recommendation of the NCCG:

- The composition of the Board of Directors, stating the names and classification of the Chairman, the MD/CEO, EDs and NEDs as well as INEDs, including brief professional biographies
- Management team of the company including brief professional biographies
- Financial statements dating back to 2015

Deloitte.

- Financial reports for 2017 – 2019
- Disclosure of corporate clients, etc.

Ethics and Conflict of Interests:
UBA Pensions has a Code of Professional Conduct and Ethics which serves as a guideline to the standards that should govern all employee dealings with customers, suppliers, colleagues and the general public, and which is consistent with the Code of Ethics and Business Practices for Licensed Pension Operators. The Board Governance Charter also provided guidelines for Directors disclosure of conflict of interests.
Supporting the ethics programme in UBA Pensions is a whistle blowing framework. The company maintains channels for stakeholders to report actual or potential unethical behaviors to clearly identified whistleblowing champions. There is a dedicated whistle-blowing link disclosure on the Company's website, Compliance Boxes were also provided at designated locations at the corporate Head office and other business locations.

CONCLUSION
It should be noted that the matters raised in this report are only those which came to our attention during our review. The evaluation is limited in nature and does not necessarily disclose all significant matters about the company or reveal any irregularities. Recommendations for improvements should be assessed by the Board for their full impact before they are implemented.

Yours faithfully,
For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UBA PENSIONS CUSTODIAN LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UBA Pensions Custodian Limited ("the Company") set out on pages 26 to 56, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, Pension Reform Act 2014 as amended, National Pension Commission Guidelines and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 May 2020.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the 59-page document titled "UBA Pensions Custodian Limited Annual Report for the year ended 31 December 2020", which includes the Corporate Governance Report, Directors' Report, Corporate Responsibility of Financial Statements, Statement of Directors' Responsibilities in Respect of the Preparation of the Financial Statements, Report of the Audit and Risk Management Committee, Board Evaluation, Review of Corporate Governance Framework and other National Disclosures. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UBA PENSIONS CUSTODIAN LIMITED - Continued

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, 2020, Pension Reform Act 2014 as amended, National Pension Commission Guidelines and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UBA PENSIONS CUSTODIAN LIMITED - Continued

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

I. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

II. In our opinion, proper books of account have been kept by the Company in so far as it appears from our examination of those books; and

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

Anthony Oputa
FRC/2013/ICAN/00000000980
For: Ernst & Young
Lagos, Nigeria

25 April 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note	2020 N'000	2019 N'000
Custody fee	9	5,505,989	5,221,137
Interest income calculated using effective interest rate	10a	581,807	1,246,812
Fair value gain on financial asset designated at FVTPL	10b	118,410	-
Other income	11	4,581	371,907
Total Income		6,210,787	6,839,856
Personnel expenses	12	(474,856)	(513,039)
Impairment reversal	14	6,754	24,597
Other operating expenses	13	(2,224,693)	(826,267)
Profit before tax		3,517,992	5,525,147
income tax expense	15	(1,519,399)	(1,752,697)
Profit after tax		**1,998,593**	**3,772,450**
Total comprehensive income for the year		**1,998,593**	**3,772,450**
Basic and diluted earnings per share (kobo)		**100**	**189**

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

Statement of Financial Position
As at 31 December 2020

	Note	31 December 2020 N'000	31 December 2019 N'000
ASSETS			
Current Assets			
Cash and cash equivalents	16	12,693	3,262,176
Investment securities at amortised cost	17a	368,954	6,493,412
Financial asset designated at FVTPL	17b	7,432,354	-
Other assets	19	1,188,335	1,162,982
		9,002,336	10,918,570
Non-Current Assets			
Property and equipment	20	99,977	148,332
Intangible assets	21	90,141	120,323
Deferred tax assets	18	-	25,054
		190,118	293,709
Total assets		**9,192,454**	**11,212,279**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	22	403,160	769,735
Dividend payable	23	2,500,000	3,600,000
Current tax liabilities	24	1,523,532	1,582,397
		4,426,692	5,952,132
Non-Current Liabilities			
Deferred tax liabilities	18	7,022	-
Equity			
Share capital	26	2,000,000	2,000,000
Retained earnings	27	2,758,740	3,260,147
Total equity		**4,758,740**	**5,260,147**
Total liabilities and equity		**9,192,454**	**11,212,279**
Pension assets under custody	34	**2,846,571,247**	**2,452,913,846**

The financial statements were approved by the Board of Directors on 30 March 2021 and signed on its behalf by:

RASHIDAH ADEKOLA
Chief Finance Officer
FRC/2012/ICAN/00000000269

BLESSING OGWU
MD/CEO
FRC/2021/003/00000022851

VICTOR OSADOLOR
Chairman
FRC/2016/ICAN/0000013923

Statement of changes in equity

2020	Share capital N'000	Retained earnings N'000	Total N'000
At 1 January 2020	**2,000,000**	**3,260,147**	**5,260,147**
Profit for the year	-	1,998,593	1,998,593
Other comprehensive Income	-	-	-
Dividend declared	-	(2,500,000)	(2,500,000)
At 31 December 2020	**2,000,000**	**2,758,740**	**4,758,740**
2019			
At 1 January 2019	**2,000,000**	**3,087,697**	**5,087,697**
Profit for the year	-	3,772,450	3,772,450
Other Comprehensive Income	-	-	-
Dividend declared	-	(3,600,000)	(3,600,000)
			-
At 31 December 2019	**2,000,000**	**3,260,147**	**5,260,147**

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

Statement of cash flows

	Note	2020 N'000	2019 N'000
Profit before tax		3,517,992	5,525,147
Adjustment for non-cash items:			
Write-off of property and equipment	13	5,990	(1,297)
Depreciation and amortization	20&21	79,711	100,426
Fair value gain on financial instrument designated at FVTPL		(118,410)	-
Impairment reversal on financial assets	14	(6,754)	(24,597)
Operating profit before changes in operating assets		3,478,529	5,599,679
Changes in operating assets and liabilities			
Debtors and prepayments		(25,073)	167,602
Creditors and accruals		(366,575)	(360,290)
Cash generated from operations		3,086,881	5,406,991
Income taxes paid	24	(1,546,188)	(1,500,657)
Net cash generated from operating activities		**1,540,693**	**3,906,334**
Cash flows from investing activities			
Purchase from financial instrument designated at FVTPL		(7,313,944)	-
Proceeds from investment securities		5,744,266	2,348,263
interest received on investment securities		386,519	376,835
Proceed from disposal of property and equipment		-	1,298
Purchase of intangible assets and property and equipment	20&21	(7,164)	(124,000)
Net cash (used in)/from investing activities		**(1,190,323)**	**2,225,561**
Cash flows from financing activities			
Dividends paid	23	(3,600,000)	(3,340,000)
Net cash used in financing activities		(3,600,000)	(3,340,000)
Net (decrease)/increase in cash and cash equivalents		(3,249,630)	2,791,895
Cash and cash equivalents on 1 January		3,262,323	470,428
Cash and cash equivalents as at 31 December	16	**12,693**	**3,262,323**

Notes to the financial statements

1 Corporate information

i Legal Form
UBA Pensions Custodian Limited (“the Company”), a wholly owned subsidiary of United Bank for Africa Plc, was incorporated on 30 September 2005. It obtained its operating license on 7 December 2005 and commenced operations on 16 February 2006.

ii Principal Activities
The Company's principal activities include the provision of custodial services for pension assets and the holding and dealing in such assets in accordance with the directives of the Pension Fund Administrators and the National Pension Commission. The Company has its registered office at 57 Marina, Lagos and its operating office at 22B, Idowu Taylor Street, Victoria Island, Lagos.

2 Basis of preparation

i The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities that are measured at fair value and amortised cost.
The financial statements were authorized for issue by the Directors on 30 March 2021

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

iii Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are disclosed in note 29.

Notes to the financial statements

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

(a) Interest

Interest income for all interest-bearing financial instruments, except for those classified at fair value through profit or loss, are recognised and charged to profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

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

(b) Custody fee

Custody fees include fee charge on asset under custody. These are recognised monthly on accrual basis.

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss.

i. Current Tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the financial statements

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(d) Financial instruments

Recognition and initial measurement

The Company initially recognises loans and advances, on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(e) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about the risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(f) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

i. *Financial assets carried at amortised cost*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Notes to the financial statements

Financial asset at amortised cost is initially measured at fair value and all transaction costs are included in its measurements. These assets are subsequently measured at amortised cost using the effective interest method. The gross carrying amount 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 profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

ii Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term. The Company measured its Fixed Income Fund using Fair Value through profit or loss to arrive at the carrying amount of the investment.

(g) Cash and cash equivalents
Cash and cash equivalents include notes and coins in hand, current account balances with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

(h) Property and equipment
i Recognition and measurement
Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

ii Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to the financial statements

The estimated useful lives for the current and comparative year are as follows:

Computer hardware	5 years
Furniture and fittings	5 years
Leasehold improvements	5 years
Office equipment	5 years
Motor vehicles	5 years
Safe and Vaults	20 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(i) Intangible assets

Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 5 years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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, where appropriate, the risks specific to the liability.

(k) Contributory Pensions Scheme

The Company operates a contributory pension plan, which is funded by contributions from the Company and employees. Funding under the scheme is 8% by staff and 10% by the Company based on annual basic salary, housing and transport allowances in line with the Pension Reform Act 2014.

(l) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the financial statements

4 Fiduciary assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the company.

5 Dividends on ordinary shares

Dividend on ordinary shares is recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

6 Changes in accounting policies

Except for the following new standards, the Company has consistently applied the accounting policies as set out in Notes 3.1 - 3.29 to all periods presented in these consolidated and separate financial statements. The Company has adopted these new amendments with initial date of application of January 1, 2020.

i) a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company.

ii) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

On 27 August 2020, the IASB published Interest rate benchmark reform- phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. This is effective for annual periods beginning 1 January 2021.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes or changes to cash flows that are directly required by the reform to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on economically equivalent basis with no value transfer having occurred.
Any other changes made at the same time, such as a change in the credit spread or maturity date are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument with any modification gain or loss recognised in profit or loss.

Notes to the financial statements

UBA Pensions does not have any financial instruments linked to IBOR on 31 December 2020 and therefore the impact is not expected to be material. Management will continue to assess the impact going-forward.'

iii) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

iv) The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) which was issued in 2018 sets out fundamental concepts for financial reporting that guides the Board in developing IFRS standards. The framework will also help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework sets out the following:

The objective of general-purpose financial reporting, the qualitative characteristics of useful financial information; a description of the reporting entity; element of financial statements, recognition & derecognition, measurement, presentation and disclosure, concept of capital and capital maintenance.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The Conceptual Framework is effective for annual periods beginning on or after 1 January 2020.

b) Standards and interpretations issued/amended but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020. The Company has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation, and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The

Notes to the financial statements

premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

This standard does not impact the Company in anyway as the Company do not engage in insurance business.

ii) Amendment to IAS 1

This amendment relates to classification of Liabilities as Current or Non-current which will provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the statement of financial position date.

The amendment only affects the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment will

- clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the balance sheet date,
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The Company does not anticipate early adopting the standard and is currently evaluating its impact.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

iii) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The standard prohibits entity to deduct proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. Entities are however allowed to recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The Company does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

iv) **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

The standard specify that the cost of fulfilling a contract comprises the costs that relates to the contract, the standard further states that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes to the financial statements

The Company does not anticipate early adopting the standard and is currently evaluating its impact.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

7 Revenue recognition

Custody fees
Custody fees represents fees earned by the Company for holding pension fund assets on behalf of pension fund beneficiaries and their administrators. Custody fee income is recognized on an accrual basis as the service is rendered and is stated net of tax.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

Other income

Other income includes Administrative and processing fees and others relating to transactions carried out during the year.

8 Financial Risk Management

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

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

Notes to the financial statements

a. Credit Risk

Credit risk arises from cash and cash equivalents, fees receivable from Pension Fund Administrators under the Company's management as well as debt instruments (Treasury bills). For cash or fixed deposits with banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the fund considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.'

The following table summarises the company's maximum exposure to credit risk related to financial instruments.

	31 December 2020 N'000 AMORTIZED COST	31 December 2020 N'000 IMPACT ON SOFP/SOPLOCI
Loans and advances to staff	28,086	213
Money market placement	12,693	-
Treasury bill	368,954	305
	409,733	518

	31 December 2019 N'000 AMORTIZED COST	31 December 2019 N'000 IMPACT ON SOFP/SOPLOCI
Loans and advances to staff	65,170	493
Money market placement	3,262,176	147
Treasury bill	6,493,412	6,632
	9,820,758	7,272

Credit risk is also mitigated by investing in free risk investment. Loans granted to staff are deducted directly at source from their monthly salary.
In terms of measuring, managing and mitigating liquidity mismatches, The Company focuses on two types of risk, namely liquidity risk and market risk.

b. Liquidity Risk

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

Procedures are in place to manage this risk amongst which is the Company invest in money market instruments and risk-free assets.

Notes to the financial statements

Year ended 31 December 2020	0>6months	6months>1year	TOTAL
financial assets			
Cash and bank balances	12,693	-	12,693
Treasury bill	368,954	-	368,954
PFA receivables	492,093	12,735	504,828
Staff advance		28,086	28,086
Fair value financial instrument designated at FVTPL		7,432,354	7,432,354
financial liabilities			
Dividend payable	-	(2,500,000)	(2,500,000)
Trade and other payables		(1,926,692)	
	873,740	**3,046,483**	**3,920,223**

Year ended 31 December 2019	0>6months	6months>1year	TOTAL
Financial assets			
Cash and bank balances	3,262,176		3,262,176
Treasury bill	-	6,493,412	6,493,412
PFA receivables	491,630	12,566	504,196
Staff advance		65,170	65,170
Fair value financial instrument designated at FVTPL	-	-	-
Financial liabilities			
Dividend payable	-	(3,600,000)	(3,600,000)
Trade and other payables		(2,352,132)	
	3,753,806	**619,016**	**4,372,822**

The company is wholly owned by United Bank of Nigeria Plc, the parent company will settle liabilities if they mature before the investments to be settled through intercompany transactions. Cash and bank balances, receivables, treasury bill, dividend payable and trade payables carrying amount approximates fair value due to the short-term nature.

c. Market Risk

Market risk is the risk that fair value of future cashflows of financial instrument will fluctuate because of changes in market factors which include three types of risks: currency risk, interest rate risk (including related inflation) and equity risk. The only risk applicable to the company is interest rate risk.

Notes to the financial statements

i. Interest rate risk (including related inflation)

Below is the sensitivity analysis of interest rate risk which might have impact on the financial instruments of the Company.

Interest rate risk	**31 December 2020**	**31 December 2019**
Treasury bill	368,954	6,493,412
Fair value financial instrument designated at FVTPL	7,432,354	-
	7,801,308	6,493,412
Impact on profit or loss:		
Favourable change @ 2% increase in interest rate	156,026	129,868
Unfavourable change @ 2% reduction in interest rate	(156,026)	(129,868)

		2020	**2019**
		N'000	**N'000**
9	**Net Custody fee**	**5,505,989**	**5,221,137**

i. Custody fee for Retirement Savings Accounts (RSA) is charged on Net Asset Value of the fund at 0.25% average rate on monthly basis.
ii. Custody fee on Retiree Account is charged on income generated by the fund at the end of every month at the agreed rate within the rage of 0.1 - 0.15%.

The rates of custody fee to be charged are agreed with the Pension Fund Administrators and can vary with each Pension Fund Administrators.

		2020	**2019**
		N'000	**N'000**
10a.	**Interest income**		
	Cash and balances with banks	192,902	63,439
	Loans and advances to staff	7,335	14,043
	Investment Securities – amortised cost	381,570	1,169,330
		581,807	**1,246,812**
	10b. **Fair value gain on financial instrument at FVTPL**	**118,410**	-

i. Cash and balances with banks represent interest earned on balances with bank and term deposits.

Notes to the financial statements

ii. Interest income on loans & advances represents interest income charged on personal, vehicle, insurance and mortgage loans granted to staff. The Company grants loans to staff in accordance with the Company's human resources policy at the rate of 5% per annum. These loans were granted at a below market interest rate. Under IFRS, the difference between the rate granted and a market related rate is an employee benefit, which must be deferred and recognised as an employee expense over the period of the loan. The loans have been fair valued at an annual interest rate of 15% per annum which management believes fairly represents the market lending rate. The resultant difference in interest charged is included in staff cost.

iii. Investment securities include interest earned on treasury bills which are held at amortised cost for the year.

iv Fair value financial instrument designated at FVTPL is measured using Level 2 inputs in the valuation of the instruments. The financial instrument is mark to model using closely approximately simple models and method of observable current market transactions in the valuation due to non-active market. The current price adopt is the bid and offer price available which is the same at the end of reporting period. Based on this, there is no impairment suffer by the financial instrument.

		31 December 2020 N'000	31 December 2019 N'000
11	**Other operating income**		
	Other income	4,581	370,610
	Profit on disposal of Plant and equipment	-	1,297
		4,581	**371,907**

		31 December 2020 N'000	31 December 2019 N'000
12	**Personnel expenses**		
	Staff cost	444,125	409,386
	Contribution to contributory pension plans	17,559	19,023
	Expenses on loans and advances to staff	2,474	6,789
	Other staff costs (Note 12a)	10,698	77,841
		474,856	**513,039**

Staff cost comprises of staff emoluments for the year ended 31 December 2020.

		31 December 2020 N'000	31 December 2019 N'000
12a.	Other Staff costs comprises the following:		
	Management support	950	1,200
	Staff incentive bonus	-	66,315
	Long Service Award	9,733	10,067
	Medical expenses	15	259
		10,698	**77,841**

Notes to the financial statements

		31 December 2020 N'000	31 December 2019 N'000
13	Other operating expenses		
	Other premises and equipment costs (note 13i)	115,452	157,460
	Auditor's remuneration	13,750	11,000
	Professional fees	22,071	24,874
	Loss on write-off of property and equipment	5,990	-
	General administrative expenses (note 13ii)	2,067,4300	632,933
		2,224,693	**826,267**
13i	Other premises and equipment costs include:		
	Depreciation and amortization	79,711	100,426
	Repairs and maintenance	34,488	55,042
	Motor running expenses	545	742
	Diesel and water	708	1,250
		115,452	**157,460**
13ii	General administrative expenses include:		
	Travelling and hotel bills	9,249	10,963
	Training	8,689	18,149
	Security and cleaning services	3,164	3,468
	Directors expenses	59,290	62,254
	Printing and stationeries	620	1,671
	Postages, telex and telephone	2,391	2,993
	Advertisement and business promotion	19,383	15,769
	Entertainment, office and computer consumables	3,926	12,511
	Subscription	9,905	8,603
	Insurance	11,194	11,060
	Support services (note 13iii)	228,108	190,225
	CSCS, stamp duties and bank charges	6,238	2,535
	Tax expense	-	3,443
	Industrial training fund	5,840	6,156
	Rent and service charge	67,608	81,931
	Pension protection fund	165,221	192,176
	Write-off of known losses	1,462,940	-
	Donation	3,572	-
	Other reimbursable expenses	92	9,026
		2,067,430	**632,933**

iii. Included in support services above is an amount of N166 million (2019: N163m) representing the cost of technical and other ancillary services rendered to UBA Pensions Custodian Limited by the Parent Company during the year.

iv. Write-off of other known losses represented the write-off of the unrecoverable amounts in respect of N1.9Bn loss on assets under custody reimbursed by the Company.

Notes to the financial statements

		31 December 2020	31 December 2019
14	**ECL (charge)/reversal on cash and cash equivalents and financial assets at amortized cost**	**N'000**	**N'000**
	Cash and balances with banks	(147)	(721)
	Loans and advances to staff	(280)	(264)
	Investment securities	(6,327)	(23,612)
		(6,754)	**(24,597)**

14.1 Movement in ECL Impairment

	At 1 January N'000	Charge/Reversals during the year N'000	2020 31 December N'000
Cash and balances with banks (note 16)	147	(147)	-
Loans and advances to staff (note 19b)	493	(280)	213
Investment securities (note 17)	6,632	(6,327)	305
	7,272	**(6,754)**	**518**

Movement in ECL Impairment

	At 1 January N'000	Charge/Reversals during the year N'000	2019 31 December N'000
Cash and balances with banks (note 16)	868	(721)	147
Loans and advances to staff (note 19b)	757	(264)	493
Investment securities (note 17)	30,244	(23,612)	6,632
	31,869	**(24,597)**	**7,272**

14.2	**Stage 1 N'000**	**Stage 2 N'000**	**Stage 3 N'000**	**Total N'000**
Cash and balances with banks	147	-	-	147
Loans and advances to staff	280	-	-	280
Investment securities	6,327	-	-	6,327
	6,754	**-**	**-**	**6,754**

	Stage 1 N'000	**Stage 2 N'000**	**Stage 3 N'000**	**Total N'000**
Cash and balances with banks	721	-	-	721
Loans and advances to staff	264	-	-	264
Investment securities	23,612	-	-	23,612
	24,597	**-**	**-**	**24,597**

The ECL allowance is in stage 1 because there is no significant increase in credit risk associated with the instruments since their initial recognition. ECL is no longer necessary since most of the securities are fully matured and realised.

Notes to the financial statements

Fair value financial instruments designated at FVTPL.
The table below analyses financial instruments measure at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the statement of financial position.

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Fixed Income Capital Fund	-	7,432,354	-	7,432,354
	-	**7,432,354**	**-**	**7,432,354**

15 Income tax expense

Recognised in profit or loss

	31 December 2020 N'000	31 December 2019 N'000
Current tax expense		
Current year	1,360,736	1,309,250
Education tax	91,407	87,911
Information technology levy	35,180	55,251
Prior year under provision current tax	-	270,802
Current income tax expense	1,487,323	1,723,214
Deferred tax (benefit) /expense	32,076	29,483
Total income tax expense	**1,519,399**	**1,752,697**

16 Cash and cash equivalents

Cash and balances with banks	12,693	21,737
Money market placements	-	3,240,586
	12,693	3,262,323
Allowance for expected credit loss (note 14.1)	-	(147)
	12,693	**3,262,176**

17a Investment securities

Treasury bills at amortised cost	369,259	6,500,044
Allowance for expected credit loss (note 14.1)	(305)	(6,632)
	368,954	**6,493,412**

17b.Fair value financial asset designated at FVTPL	7,313,944	-
Fair value gains on financial instrument designated at FVTPL	118,410	-
	7,432,354	**-**

The valuation of fixed income fund is based of fair value through profit or loss.

Notes to the financial statements

18 Deferred tax assets/(liabilities)

	N'000	**N'000**
At 1 January	25,054	54,537
Credit/(Charges) for the year	(32,076)	(29,483)
At 31 December	**(7,022)**	**25,054**

Deferred tax income consists of the following losses carried forward and taxable temporary differences.

	31 December 2020 N'000	**31 December 2019 N'000**
Property and equipment (Deferred tax asset)	(25,054)	12,852
Other's provision (Deferred tax asset)	32,076)	(37,906)
	7,022	(25,054)

19 Other assets

Accounts receivable and prepayments (19a)	1,160,249	1,097,812
Staff advances (19b)	28,086	65,170
	1,188,335	**1,162,982**

19a Account's receivables include the following:

Fee receivables from PFAs	504,828	504,196
Prepayments	72,468	38,648
WHT receivables	582,953	554,968
	1,160,249	**1,097,812**

19b Loans and advances to staff comprises:

Vehicle loan	13,666	21,971
Personal loan	14,633	25,938
Mortgage loan	-	17,754
	28,299	65,663
Allowance for expected credit loss (note 14.1)	(213)	(493)
	28,086	**65,170**

The company grants loans to staff in accordance with the Company's human resources policy at the rate of 5% per annum. The loans have been fair valued at an annual interest rate of 15% which management believes fairly represents the market lending rate. The resultant difference in interest charged is included in staff cost.

Notes to the financial statements

20 Property and equipment

31 December 2020

	Furniture & Fittings N'000	Computer Equipment N'000	Motor Vehicles N'000	Leasehold Improvements N'000	Safe & Vaults N'000	Total N'000
Cost						
At 1 January 2020	105,122	105,600	54,075	74,585	3,280	342,662
Additions	2,274	1,890	-	-	-	4,164
Write-off		(10,570)				(10,570)
Disposal	-	-	(12,600)	-	-	(12,600)
At 31 December 2020	107,396	96,920	41,475	74,585	3,280	323,656
Accumulated Depreciation and impairment losses						
At 1 January 2020	52,259	71,531	37,012	31,439	2,089	194,330
Charge for the year	18,680	10,248	6,810	12,927	164	48,829
*Reclassification (note 21)	-	-	-	(2,300)	-	(2,300)
Write-off		(4,580)				(4,580)
Disposal	-	-	(12,600)	-	-	(12,600)
At 31 December 2020	70,939	77,199	31,222	42,066	2,253	225,979
Carrying amounts						
At 31 December 2020	**36,457**	**19,721**	**10,253**	**32,519**	**1,027**	**99,977**
At 31 December 2019	**52,863**	**34,069**	**17,063**	**43,146**	**1,191**	**148,332**

None of these assets were encumbered as at 31 December 2020 (2019: Nil).

Property and equipment

31 December 2019

	Furniture & fittings N'000	Computer Equipment N'000	Motor Vehicles N'000	Leasehold Improvement N'000	Safe & Vaults N'000	Total N'000
Cost						
At 1 January 2019	141,889	117,874	59,405	71,885	3,281	394,334
Additions	1,252	1,529	-	2,700	-	5,481
Disposal	(38,019)	(13,803)	(5,331)		-	(57,153)
At 31 December 2019	105,122	105,600	54,074	74,585	3,281	342,662
Accumulated Depreciation and impairment losses						
At 1 January 2019	70,546	67,991	35,518	14,093	1,925	190,074
Charge for the year	19,731	17,343	6,825	17,346	164	61,409
Disposal	(38,019)	(13,803)	(5,331)		-	(57,153)
At 31 December 2019	52,259	71,531	37,012	31,439	2,089	194,330
Carrying amounts						
At 31 December 2019	**52,863**	**34,069**	**17,062**	**43,146**	**1,192**	**148,332**
At 31 December 2018	**71,342**	**49,883**	**23,887**	**57,792**	**1,356**	**204,260**

Notes to the financial statements

		31 December 2020 N'000	31 December 2019 N'000
21	**Intangible assets**		
	Cost		
	At 1 January	381,270	262,751
	Additions	3,000	118,519
	At 31 December	384,270	381,270
	Accumulated Amortization and impairment losses		
	At 1 January	260,947	221,929
	*Reclassification (note 20)	2,300	
	Amortisation for the year	30,882	39,018
	At 31 December	294,129	260,947
	At 31 December	**90,141**	**120,323**

Intangible assets represent core computer software purchased for business operations. The following applications are currently in use by the Company:

I Microsoft Dynamics (NAV)
ii Laserfische (EDMS application)
Iii Automatic Converter
Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 5 years.

*The reclassification of accumulated depreciation of leaseholds improvements and intangible assets relates to errors due to system migration issues in 2019.

		31 December 2020 N'000	31 December 2019 N'000
22	**Trade and other payables**		
	Accounts payable		
	Creditors and accruals	403,160	599,735
	Staff incentive bonus	-	170,000
		403,160	**769,735**

		N'000	N'000
23	**Dividend payable**	**2,500,000**	**3,600,000**

In respect of the current financial year, at the Board meeting held on 22 December 2020, the directors recommended approval of an interim dividend of N1.25k per share amounting to N2.50 billion (2019: N3.60billion).

In line with the National Pension Commission (PenCom) circular PENCOM/INSP/CIR/SURV/12/04, payment of these dividends will be subject to the approval of PenCom.

Notes to the financial statements

24 Current income tax payable

	31 December 2020 N'000	31 December 2019 N'000
Balance. beginning of period	1,582,397	1,359,840
Tax paid	(1,546,188)	(1,500,657)
Income tax charge (notes 15)	1,487,323	1,723,214
Balance. end of period	**1,523,532**	**1,582,397**

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended, while Education Tax is based on Education Tax Act CAP E4 LFN 2004.

25 Reconciliation of effective tax rate

the tax on the profit before tax differ from the theoretical amount that would arise using the tax rate applicable to profit of the company. The reconciliation of amount reported are tax expense in the statement of comprehensive income to the income tax using the domestic corporation tax rate is presented below;

	31 December 2020 N'000	31 December 2019 N'000
Domestic corporate tax rate	30%	30%
Profit before tax	3,517,992	5,525,147
income tax using the domestic corporate tax rate	1,055,397	1,657,402
tax effect of:		
Information technology tax	35,180	55,251
Education tax	91,407	87,911
Prior year under provision of current tax	-	270,802
Other tax relief	2,378	1,881
Effect of permanent differences:		
Tax exempt income	(151,892)	(357,883)
Non-deductible expenses	486,929	37,333
Total income tax expense in comprehensive income	**1,519,399**	**1,752,697**
Effective tax rate	43%	27%

		31 December 2020	31 December 2019
26	**Share capital**		
	Share capital comprises:		
(i)	Authorised - 2,000,000,000 Ordinary shares of N1 each	**2,000,000**	**2,000,000**
(ii)	Issued and fully paid - 2,000,000,000 ordinary share of N1 each	**2,000,000**	**2,000,000**

	31 December	31 December

Notes to the financial statements

	2020	2019
27 Retained earnings		
At 1 January	3,260,147	3,087,697
Interim dividend	(2,500,000)	(3,600,00)
Transfer from profit or loss	1,998,5931	3,772,450
At 31 December	**2,758,740**	**3,260,147**

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

In respect of the current financial year, at the Board meeting held on 22 December 2020, the directors recommended approval of an interim dividend of N1.25k per share amounting to N2.50billion (2019: N3.60billion).

In line with the National Pension Commission (PenCom) circular PENCOM/INSP/CIR/SURV/12/04, payment of these dividends will be subject to the approval of PenCom.

28 Related party transactions

1 During the year, the Company had business transactions with related companies. The transactions were in the normal course of business and the amounts recognised in the financial statements from these transactions are as stated below:

			31 December 2020 N'000	31 December 2019 N'000
Interest income				
United Bank for Africa Plc	-	Parent Company	49,886	63,439
Support Services				
United Bank for Africa Plc	-	Parent Company	165,991	163,285
Cash and cash equivalents				
United Bank for Africa Plc	-	Parent Company	12,693	21,737
Placement				
United Bank for Africa Plc	-	Parent Company	-	3,240,586
Payable				
United Bank for Africa Plc	-	Parent Company	48,985	50,000
Rent				
United Bank for Africa Plc	-	Parent Company	42,409	41,423

UBA Pensions Custodian Limited is a wholly owned subsidiary of UBA Plc.

Notes to the financial statements

2 Information regarding Directors and Employees

Key management personnel constitute those individuals who have the authority and the responsibility for planning, directing, and controlling the activities of UBA Pensions Custodian Limited, directly or indirectly, including any director (whether executive or non-executive). The individual who comprises the key management personnel are the Board of Directors as well as certain key management staff and officers.

The following table describes all compensations paid to, awarded to, or earned by each of the key management personnel in 2020 for services rendered in all capacities to the Company.

	2020	2019
Chairman and Directors' emoluments	**N'000**	**N'000**
Fees and sitting allowances	59,290	62,254
	59,290	**62,254**
	Number	**Number**
Executive	1	2
Non-executive	5	5
	6	**7**

	2020	2019
Employees	**Number**	**Number**
Average number of persons employed during the year:		
MD/CEO & Executive Director	1	2
Management Staff	8	5
Non-Management Staff	70	73
	79	**80**

	Compensation of Employees	**31 December 2020 N'000**	**31 December 2019 N'000**
1	The number of persons in the employment as at year end is as follows;		
	MD/CEO & Executive Director	1	2
	Management Staff	8	5
	Non-Management Staff	70	73
		79	**80**
2	Compensation for the above personnel (Including executive director)	**N'000**	**N'000**
	Salaries & wages	444,125	409,386
	Contributory pension scheme	17,559	19,023
		461,684	**428,409**

Notes to the financial statements

			31 December 2020 N'000	31 December 2019 N'000
3	The number of employees other than Directors who received emoluments in the following ranges (Excluding pension contribution) were;			
	N300,001 - N2,000,000		29	25
	N2,000,001 - N2,800,000		-	-
	N2,800,001 - N3,500,000		10	12
	N3,500,001 - N4,000,000		-	23
	N4,000,001 - N5,500,000		22	3
	N5,500,001 - N6,500,000		-	-
	N6,500,001 - N7,800,000		9	9
	N7,800,001 - N9,000,000		-	-
	N9,000,001 above		9	8
			79	**80**

4 **Directors**

Remuneration paid to Directors were

	N'000	N'000
Fees and sitting allowances	59,290	62,254
	59,290	**62,254**

		N'000	N'000
5	Fees and other emoluments disclosed above include amounts paid to;		
	The Chairman	150	50
	The highest paid director	150	125

6 The number of Directors who received fees and other emoluments (excluding pension contribution) in the following ranges

	Number	Number
N1,000,001 - N3,000,000	0	0
N3,000,001 - N5,000,000	0	0
N5,000,001 and above	5	5
	5	**5**

Notes to the financial statements

29 Critical Accounting Estimates and Significant judgements

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

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

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

Going concern
The Company's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Deferred tax assets
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Fair value of financial instruments
Where the fair values of financial assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

30 Litigations and contingent liabilities

The Company in its ordinary course of business was not involved in any suit as at the year end (31 December 2019: Nil). The directors of the Company are not aware of any pending or threatened claims or litigations which may be material to the financial statements. There were no other contingent liabilities requiring disclosure in this financial statement.

31 Compliance with laws and regulations

The Company complied with all laws and regulations during the year under review (2019: Nil).

32 Capital commitments

The Company has no capital commitments as at 31 December 2020 (31 December 2019: Nil).

Notes to the financial statements

33 Events after the reporting period

There were no subsequent events which could have a material effect on financial position of the Company as at 31 December 2020 or on the other comprehensive income for the year then ended that have not been adequately provided for or disclosed in these financial statements.

	31 December 2020 N'000	31 December 2019 N'000
34 Assets under custody		
Bank balances	35,130,663	16,702,817
Treasury bills	78,163,687	464,423,434
Money market instruments	543,630,588	327,100,012
Bonds	1,929,385,474	1,483,701,117
Equities	221,231,574	135,799,676
Receivables	3,052,163	-
Mutual funds	34,623,686	19,058,533
Investment properties	1,353,412	6,128,258
	2,846,571,247	**2,452,913,846**

35 Financial Risk Management

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

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

Credit Risk

Credit risk arises from cash and cash equivalents, fees receivable from Pension Fund Administrators under the Company's management as well as debt instruments (Treasury bills). For cash or fixed deposits with banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the fund taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Custody fees are affected against the net assets of the fund.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by any fund under the Company's management.

The maximum exposure to credit risk as at 31 December 2020 is the carrying amount of the financial assets (cash and bank balances, Investment in debt securities and Account receivables) set out in the statement of financial position.

Notes to the financial statements

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

All credit risk exposures are maintained within Nigeria. An analysis of concentrations of credit risk is set out below:

	Cash and Bank Balances N'000	Treasury Bills & Mutual Fund N'000	Custody fees and other receivables N'000	Total N'000
31-Dec-20				
Nigeria	12,693	7,801,308	504,828	8,318,829
31-Dec-19				
Nigeria	3,262,176	6,493,412	504,196	10,259,784
31-Dec-20				
Financial liabilities (contractual maturity)	2,500,000	-	-	2,500,000
Financial assets (expected maturity)	-	-	-	-
31-Dec-19				
Financial liabilities (contractual maturity)	3,600,000	-	-	3,600,000
Financial assets (expected maturity)	-	-	-	-

Credit quality of receivables

Receivables held by the Company consists of management fee and admin fee receivables which are all classified as neither past due nor impaired. The risk of default is considered as low.

The credit quality of cash and bank balances are neither past due nor impaired. The banks which are the depositories have a credit rating of "A" as assessed by Augusto & Co rating agency; and this rating is adopted by the Company. The risk of default is considered as low.

Credit Quality of Investment in Debt Securities

All investments in debt instruments are neither past due nor impaired.

These investments which are government treasury bills are rated as A+ to A- as assessed by Augusto& Co rating agency and this rating is adopted by the Company.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligation as they fall due or will have to meet the obligations at excessive costs. This risk could arise from mismatches in the timing of cash flows. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments.

Notes to the financial statements

The Company does not have any borrowings. Surplus cash is invested in interest bearing current accounts and short-term placements, choosing instruments with appropriate maturities.

Management of Liquidity Risk
The Company's liquidity management process ensures that the following are carried out:
a. Active monitoring of the timing of cash flows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits.
b. Managing the concentration and profile of debt maturities.

Financial instruments measured at fair value.
IFRS 7 paragraph 25 requires the disclosure of the fair value of financial assets and financial liabilities by class in a way that permits it to be compared with its carrying amount for each class of financial asset and financial liability. The Company's financial instruments are carried and the amortised cost of the instruments closely approximates the fair value Instrument.

Capital management.
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet). Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2020, the Company's strategy, which was unchanged, was to maintain the gearing ratio of 0%. The Company achieved this gearing ratio in 2020 and 2019 as it had no borrowings.

	2020	**2019**
	N'000	**N'000**
Total borrowings	-	-
Total equity	4,797,838	5,260,147
Gearing ratio	-	-

VALUE ADDED STATEMENT

	2020 N'000	%	2019 N'000	%
Gross earnings	6,210,787		6,839,856	
Impairment (charge)/write-back	6,754		24,597	
Bought-in materials and services - Local	(2,170,036)		(725,127)	
VALUED ADDED	**4,047,505**	**100**	**6,139,326**	**100**
Applied as follows:				
In payment of employees:				
Salaries, bonuses, and benefits	474,856	12	513,039	8
In payment to government:				
Tax	1,452,143	36	1,723,214	28
Information technology development levy	35,180	1	55,251	1
Retained for future replacement of assets and expansion of business:				
Deferred tax	7,022	0	(25,054)	-
Depreciation on fixed assets	79,711	2	100,426	2
Profit for the year	1,998,593	49	3,772,450	61
	4,047,505	**100**	**6,139,326**	**100**

Value added represents the additional wealth which the Company has been able to create by its own and employees' efforts.

Financial summary

	31 December 2020 N'000	31 December 2019 N'000	31 December 2018 N'000	31 December 2017 N'000	31 December 2016 N'000
ASSETS					
Cash and cash equivalents	12,693	3,262,176	469,560	92,672	931
Investment securities -amortised	368,954	6,493,412	8,818,064	8,420,758	6,741,795
Investment securities- FVPL	7,432,354	-	-	-	-
Deferred tax assets	-	25,054	75,550	81,112	35,938
Property and equipment	99,977	148,332	204,260	62,557	43,177
Intangible assets	90,141	120,323	40,822	77,157	98,473
Other assets	1,188,335	1,162,982	1,330,319	1,303,314	975,945
Total assets	**9,192,454**	**11,212,279**	**10,938,575**	**10,037,570**	**7,896,259**
LIABILITIES					
Trade and other payables	403,160	769,735	1,130,025	1,124,465	394,440
Current tax liabilities	1,523,532	1,582,397	1,359,840	1,195,191	1,027,949
Deferred tax liabilities	7,022	-	21,013	12,348	-
Other liabilities	2,500,000	3,600,000	3,340,000	3,200,000	2,400,000
Total liabilities	4,433,714	5,952,132	5,850,878	5,532,004	3,822,389
EQUITY AND RESERVE					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	2,758,740	3,260,147	3,087,697	2,505,566	2,073,870
Total equity	4,758,740	5,260,147	5,087,697	4,505,566	4,073,870
Total liabilities and equity	**9,192,454**	**11,212,279**	**10,938,575**	**10,037,570**	**7,896,259**
Assets under custody	**2,846,571,247**	**2,452,913,846**	**2,058,014,024**	**1,800,248,204**	**1,459,855,594**

Financial summary

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
GROSS EARNINGS	**6,210,787**	**6,839,856**	**6,689,941**	**6,532,613**	**4,966,808**
Personnel expenses	(474,856)	(513,039)	(614,127)	(710,582)	(526,713)
Impairment(charge)/reversal on financial assets	6,754	24,597	(24,549)	-	-
Other operating expenses	(2,224,693)	(826,267)	(737,870)	(1,028,624)	(632,674)
Profit before tax	3,517,992	5,525,147	5,313,395	4,793,407	3,807,421
income tax expense	(1,519,399)	(1,752,697)	(1,383,944)	(1,161,711)	(1,070,936)
Profit after tax	**1,998,593**	**3,772,450**	**3,929,451**	**3,631,696**	**2,736,485**
Total comprehensive income for the year	**1,998,593**	**3,772,450**	**3,929,451**	**3,631,696**	**2,736,485**